In The Matter Of:

R.J. REYNOLDS TOBACCO COMPANY
MATTER NO. D09285

LYNN BEASLEY
Vol. 1, June 15, 1998

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FEDERAL TRADE COMMISSION
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FEDERAL TRADE COMMISSION

In the Matter of:)
R. J. Reynolds Tobacco Co.,)
a corporation.) Matter No. D09285

Monday, June 15, 1998

Womble, Carlyle, Sandridge & Rice
200 West Second Street
Winston-Salem, NC 27102

The above-entitled matter came on for administrative deposition, pursuant to notice, at 9:59 a.m.

APPEARANCES:

ON BEHALF OF THE FEDERAL TRADE COMMISSION:
DAVID C. SHONKA, Attorney
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ON BEHALF OF R. J. REYNOLDS:
JOHN B. WILLIAMS, Attorney
Collier, Shannon, Rill & Scott, PLLC
3050 K Street, N.W., Suite 400
Washington, D.C. 20007
(202) 342-8400

ALSO PRESENT:
STEPHEN KACZYNSKI, Attorney
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901 Lakeside Avenue
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(216) 586-3939

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PROCEEDINGS

Whereupon -
LYNN BEASLEY,
a witness, called for examination, having been duly sworn, was examined and testified as follows:

EXAMINATION
BY MR. SHONKA:

Q: Good morning, Ms. Beasley.
A: Morning.
Q: My name is David Shonka. This is Laura Sullivan. We're here in a case against Reynolds Tobacco Company concerning the Joe Camel campaign. I'm here, as you know, to ask you questions. I understand you've been deposed several times previously --
A: Yes.
Q: - to today.
About how many?
A: Let's see. I think it's four times.
Q: I assume you understand the drill, but I'll just go over a few points with you before we get started.
A: Uh-huh.
Q: You understand that this is an

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administrative proceeding pending before the Federal Trade Commission and not a judicial proceeding. Do you understand that?
A: Yes.
Q: And I want you to understand that the oath you took this morning is the same oath that you would take, had you taken one in a court proceeding. There is no difference between this one and any other that you've taken in your other depositions. Do you understand that?
A: Yes.
Q: So what we need is - I will ask you questions today. I will ask you to answer clearly, completely, audibly, so the court reporter can take everything down. If you don't understand a question that I ask, feel free to ask for a clarification. I will try to take another swing at it or see what we don't understand and work it out. Do you understand that?
A: Yes.
Q: And if you need a break today, say so and I'll try to find a convenient breaking point afterwards, as soon as I can, and we'll see what we can do.
Let me - for the record, will you please

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state your full name, address, and date of birth.
A: Sure. Do you want my middle name too?
Q: Sure.
A: It's Lynn Joanne Beasley.
Q: And your address?
A: It's [DELETED]
Q: And date of birth?
A: [DELETED]
Q: Now, I am going to put into the record at this point several items that I'll ask the court reporter to mark as exhibits, respectively 1, 2, and 3. And Exhibit 1 is a letter that I wrote to John Williams dated June 1, 1998.
MR. WILLIAMS: I have Exhibit 2, if you'd like, which I hope is our response.
MR. SHONKA: No, that is - actually, that is not Exhibit 2, yet. Do you have -
MR. WILLIAMS: I have our response, whatever, as an exhibit -
MR. SHONKA: In typed form?
Oh, okay.
MR. WILLIAMS: It's in typed form, yeah.
MR. SHONKA: That's not what I meant. What I have is the - is a fax copy.

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Reynolds Exhibit

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MR. WILLIAMS: Oh. I have the –
MR. SHONKA: If you don't mind. I will have a typed copy – or a real copy marked as Exhibit 2 and give you one of our faxes. If that's –
MR. WILLIAMS: That's for you. You can keep it.
MR. SHONKA: Oh, okay. Thank you.
MR. WILLIAMS: That's the June 10th letter we sent with Ms. Beasley's information.
MR. SHONKA: Well, for now, we're still on Exhibit 1. So if the court reporter will please mark that.
(Beasley Deposition Exhibit No. 1 was marked for identification.)
MR. SHONKA: And then I will have marked as Exhibit 2 a fax that I received from Collier Shannon, dated June 4th, 1998.
(Beasley Deposition Exhibit No. 2 was marked for identification.)
MR. SHONKA: And then, as Exhibit 3, a letter that I received from John Williams –
MR. WILLIAMS: I think it's Villafranco.
MR. SHONKA: From John Villafranco, dated June 10, 1998.
(Beasley Deposition Exhibit No. 3 was marked for identification.)

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BY MR. SHONKA:
Q: Ms. Beasley, I'm going to hand you Exhibits 1, 2, and 3 at the same time, and I ask you if you've seen Exhibit 1 previously?
(Witness reviews document.)
A: No, I don't remember seeing Exhibit 1 previously.
Q: All right. For the record, this is a letter that I sent to John Williams, asking for certain information regarding the depositions that we are taking in this matter.
If you would, look at Exhibit 2. Have you seen Exhibit 2 previously?
A: Yes.
Q: And can you identify it for us.
A: Yes. It's just a typed sheet of the positions I've held at R.J. Reynolds.
Q: And who prepared Exhibit 2? Do you know?
A: I think it was me.
Q: Okay.
A: But – you know, at least I had help with it. I mean, I didn't type it myself.
Q: Exhibit 2 is an accurate summary of the various positions – or the major positions you've

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held at Reynolds?
(Witness reviews document.)
A: It looks accurate, yes.
Q: And then, if you would, look at Exhibit 3, please.
(Witness reviews document.)
Have you seen Exhibit 3 previously?
A: Yes.
Q: And can you tell us what it is, identify it for the record.
A: Yes. It – it's a document that summarizes positions I've held at Reynolds, people I've worked for and personal information you requested.
Q: And do you know who prepared this letter?
A: John Villafranco.
Q: And did you review the letter before it was sent to me?
A: Yes.
Q: I'd like to just spend a couple of minutes looking over the letter. The first numbered paragraph on page 1 of Exhibit 3 –
A: Excuse me. Can I – can I interrupt for one second?
Q: Sure.
A: I had one addition to this letter, which I

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told John about this morning.
THE WITNESS: Should we make that now or –
MR. WILLIAMS: Yeah, go ahead.
THE WITNESS: Okay. I was doing it from memory, and so I left a couple people out accidentally.
On page 4, in L, letter L. Page 4, letter L.
MR. SHONKA: Yes.
THE WITNESS: Where it says "Supervisor Dave Iauco, Jim Schroer."
MR. SHONKA: Yes.
THE WITNESS: We also need to add Andy Schindler and Ove Sorenson.
BY MR. SHONKA:
Q: And do you have a spelling for –
A: Ove Sorenson, I believe, is O-V-E, that's Ove, and then Sorenson, S-O-R-E-N-S-O-N.
Q: All right. Who is Mr. Sorenson?
A: He was head of marketing at one time.
Q: And Mr. Schindler – back up. Mr. Sorenson was head of marketing at the time indicated on paragraph L in 1997?
A: Well, each of these people had part of the time. You know, I reported to Dave for part of the

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time, Jim for part of time, Ove for part of the time, Andy for part of the time.
Q: And all of them were head of marketing –
A: No.
Q: – at the times you say you reported to them?
A: No. Andy was not head of marketing; he was president and CEO of the company.
Q: The other three were head of marketing?
A: Yes. Well, Jim Schroer was head of marketing and sales.
Q: All right. Do you have any other changes or additions?
A: I don't think so. If I do, I'll let you know. But it's one that occurred to me.
Q: All right. If you'd take a look at the first paragraph, Number 1, it says that you met on June 2nd, 1998, with Mr. Blynn, Mr. Kaczynski, Mr. Williams and Mr. Villafranco. Have you, since then, met with anyone else?
A: No. I met with them this morning.
Q: This morning. And – all three of them – all four of them this morning?
A: No. I met with these two this morning.
Q: Mr. Kaczynski and Mr. Williams?

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A: Yes.
Q: And between June 2nd and today you did not meet with anyone regarding the deposition?
A: No. But I had a phone call from John about this letter.
Q: About Exhibit 3?
A: Yes.
Q: Okay. And how long did you spend with Mr. Williams and Mr. Kaczynski this morning?
A: It was about 8:30 till now.
Q: All right. Paragraph 2, it says that you reviewed, in preparation for the deposition, the deposition transcript of David Iauco?
A: Iauco.
Q: Iauco. And the accompanying exhibits. Have you reviewed anything else since this letter was prepared?
A: No.
Q: Exhibit 3 is your personal information, which we do have in other depositions, and I won't burden you with this morning.
MR. WILLIAMS: I think you meant Number 3 of Exhibit 3.

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MR. SHONKA: Yes, I'm sorry.
BY MR. SHONKA:
Q: Related employees. I have seen in various papers the name Ron Beasley. Do you know him?
A: Yes.
Q: Who is he?
A: He's my husband.
Q: When – your maiden name is Breininger?
A: Yes.
Q: When did your name change from Breininger to Beasley?
A: It was in September of 1989. He left the company before we became relatives.
Q: So Mr. Beasley – Ron Beasley is no longer with Reynolds?
A: No.
Q: Is he with any affiliated or other company?
A: He's with a company now, yes – I mean –
Q: Affiliated to Reynolds?
A: – affiliated to Reynolds?
Q: Yes.
A: No.
Q: Who is he with?
A: He's with NATC.
Q: What is that?

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A: North Atlantic Trading Company.
Q: What is his position there?
A: He is senior vice president of sales.
Q: I believe, but I'm not certain, that I have seen other Beasleys in our document searches. Are there any other Beasleys working for Reynolds, that you're aware of?
A: I think there is another Beasley. I'm not sure.
Q: S. Beasley? Any relative?
A: No.
Q: Any relation?
A: No.
Q: Okay. And when did your husband leave Reynolds?
A: I think it was in about June of '89. Roughly. I mean, I'm not sure of the exact month.
Q: Was he in sales the entire time?
A: Yes – no. No, he wasn't. Sorry.
Q: That's okay.
A: He was in marketing for a short amount of time too.
Q: Do you know approximately when that was?
A: I'm thinking he's told me it was in the mid '70s, but –

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Q: Before you started with the company?
A: Yes.
Q: When your husband was with Reynolds, did you ever have occasion to work with him on any projects?
A: Well, I wouldn't say I had occasion to work with him, because he was in sales. And sales and marketing work together, but I wouldn't say we were assigned a project together, no.
Q: Do you mind if I ask how you met him?
A: At the office.
Q: I'd like to spend a little time talking about marketing - well, about policies at Reynolds, generally, today. And the first thing I'd like to touch on is marketing policies.
What are Reynolds' - well, first of all, let's focus on the period up to 1991, say, and from the time you came to the company to 1991, if that is a relevant time period for thinking about it. Did Reynolds have a consistent marketing policy at that time as pertains to marketing cigarettes to - to youth?
MR. WILLIAMS: To whom?
MR. SHONKA: Youth.
BY MR. SHONKA:
Q: People under the age of 18.

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A: Yes. Our policy, from the time I started with the company, is that we do not market to people under the age of 18.
Q: That was true at all times that you were - you started with the company in 1982?
A: '82. And, excuse me, not only do we not - I just want to expand on that answer. We don't market to people under the age of, and we only market to smokers 18 and older. That was the policy during that time period. Smokers 18 years and older.
Q: How was that policy manifested?
A: I'm not sure what you mean. Like -
Q: Was it written any place?
A: Oh, yes. I mean, we were - when I first started with the company, I was given an orientation. And we have an advertising code - we went through that with our legal department - and the policies of the company were reviewed with us, the marketing policies.
Q: When you say you went through it with the legal department, was there an orientation session that did this?
A: Yes.
Q: How long was that?

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A: I don't really recall. It was at least a day, but it could have been longer.
Q: Did anyone explain to you why Reynolds has a policy of not marketing to people under the age of 18?
A: Yes.
Q: And what was that reason?
A: There were several reasons. First of all, we, as a company, are not interested in - and are not trying to impact the decision to start smoking or quit smoking, and so we only market to smokers. And our goal is to switch people who have chosen to smoke to our brands.
And we also are only interested in adults, legal age adults, who have a right in our country to smoke. And we don't - the company fundamentally believes that children shouldn't smoke. We agree with the country that the legal age of smoking at 18 is appropriate.
Q: Why is that?
A: In my opinion, that's because our country believes it's a decision that should be reserved for adults. And I agree with that; there are health risks associated with the product and it's a decision that's reserved for adults to make.

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Q: Apart from the legal policy - well, you mentioned health risks. Is there any other reason?
MR. WILLIAMS: Well, let's be specific. Any other reason for what?
MR. SHONKA: For the policy of not marketing to people under 18.
THE WITNESS: Well, again, it's the law. We believe it's right; we don't believe that children should smoke. And it's our company policy.
BY MR. SHONKA:
Q: Do you know who set that policy?
A: No.
Q: You mentioned an industry advertising code earlier?
A: Yes.
Q: Has Reynolds - excuse me, my mouth is not working.
Has Reynolds always followed the industry advertising code?
A: You know - are you speaking since I joined the company, 1982?
Q: Let's break it out.
Since you've joined the company.
A: As far as I'm concerned, yes. I have not seen anything that would suggest we're not following

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the voluntary advertising code.
Q: Are you aware of the industry – of Reynolds not following the policy at some point before you arrived?
A: No. No, I'm not aware that we didn't follow the policy. I'm just saying that I wasn't there every day. I didn't know everything the company did. I mean – now, certainly there have been cases of individuals proposing things that were in violation of the policy, and then they were dealt with. But as far as our company following the policy I believe we have. The code.
Q: What form does the code take?
MR. WILLIAMS: You mean, is it written?
MR. SHONKA: Yes.
THE WITNESS: Yes, it's written.
BY MR. SHONKA:
Q: Have you seen it?
A: Yes.
Q: Do you have a copy?
A: Yes.
Q: Are you well versed in it?
A: I think so.
Q: Can you tell me what it provides?
A: Sure. It in general provides a set of

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guidelines by which we market our – which we market cigarettes.
Q: And what are those guidelines?
MR. WILLIAMS: David, the code is changed sometimes. Is this a test as to what –
MR. SHONKA: No, this is not a test.
MR. WILLIAMS: – what is today's code?
MR. SHONKA: I'm really interested in – and let's make it clear, unless I say otherwise, let's focus on the period from the time you started at Reynolds until – when did Reynolds raise – at some point it changed its policy?
THE WITNESS: 1992.
BY MR. SHONKA:
Q: 1992. And what did it do at that time?
A: We changed it to 21 and above adult smokers. From 18 to 21.
Q: And when in 1992 was that?
A: I don't remember the exact month.
Q: Well, let's focus on the period from the time you got to Reynolds until the policy changed in 1992, whenever that was. Unless I saw otherwise.
A: So just up until that point?
Q: Yes.
Okay. Now, the guidelines of the code, as

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it was applied in that time period.
A: I'd have to go back and review the exact code, now versus then, to see exactly what's changed. I can give you my best recollection.
Q: Sure.
A: But, clearly, the code specified that we market our products to adults – adult smokers. And that we only place advertising in publications that aren't directed primarily at those under the age of 21; that billboards are placed at least 500 feet from a school or a playground – a high school, junior high, elementary school or a playground. We only use models over the age of 25 in our advertising.
I think one that's been added, I can't remember exactly when, but we don't pay for placement in movies of our product or signage.
We –
Q: What is signage?
A: I'm sorry. Like a trademark, a cigarette logo.
Q: Oh, in movies?
A: Right. We do not pay for placement of that in movies.
Q: I'm sorry, I interrupted you.

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A: Okay.
We do not use – we do not depict as a smoker an athlete or celebrity testimonial. We don't depict them as a smoker and use the testimonial from an athlete or celebrity.
We have other guidelines in terms of, in general, how to approach the advertising: That it's fine to have attractive, healthy looking people, as long as we don't say that that good health is due to smoking.
We have a lot of sampling guidelines. We only sample to adult smokers 21 years of age and older, to someone who wants to receive the sample. Then there are a number of guidelines on how to conduct sampling, where a sampling can be conducted, how to conduct it, how to communicate the guidelines to suppliers, those sorts of things.
Again, I can't tell you exactly when it's been added, but we have guidelines in terms of premiums we do. We only produce in adult sizes. We only send direct mail to people who are 21 years of age, a smoker, and wish to receive the offer from us.
I have probably left some of them out, but –

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Q: Those are the principal ones?
A: Well, those are the ones I recall right now. But I think those ...
Q: Okay.
You mentioned sampling only to 21. Do you know, has that always been the policy?
A: As long as - I think as long as I can remember, I remember it always being 21.
MR. WILLIAMS: David - you were asking about the advertising code?
MR. SHONKA: Yes.
MR. WILLIAMS: And now we're into -
MR. SHONKA: I thought we were still in the code. And the advertising code -
MR. WILLIAMS: Okay.
THE WITNESS: Since 1992, I remember it being - to the best of my recollection, it's been - the code is 21 for sampling.

BY MR. SHONKA:

Q: Why did Reynolds change the policy in 1992?
A: My understanding is that we felt like we had received criticism that we were directing our efforts towards younger people, which we were not. It had always been adult smokers. And so we decided to create an age buffer of 18 to 20. So even though

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these people are legal adult smokers, 18, 19 and 20, we would create a buffer where we only developed our marketing programs for those 21 years and older, and that would create a buffer.
Q: All right. After June, or whenever it was, in 1992 that the policy changed, did Reynolds, in fact, change any of its advertising?
A: Well, of course, from that point forward, all of the development we did was among smokers 21 years of age and older. So to whatever degree that impacted advertising, which I'm sure it did, it changed. But, obviously, since you weren't running a parallel path with 18, 19 and 20 year olds, you can't say exactly what that was.
Q: Okay. Were any advertisements or promotions pulled as a result of the change in policy?
A: Again, we do ongoing continuous research among adult smokers. So promotions we have, advertising we have, from that point forward, was researched among adult 21 year old smokers. So, you know, of course we were doing research.
Q: In terms of the advertising code, who is responsible in Reynolds for interpreting its application?
A: I would say that we are all responsible for

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insuring that we comply with the code, everyone who works on any part of marketing that the code applies to. So it is the responsibility of every single employee.
That would include marketing employees, it would include sales employees, it would include whoever touches it, that affects that code. Certainly it includes our external relations department, who reviews what we do; our legal department, who reviews what we do. We have an ad review panel. It certainly includes management. I mean, it is - it is a comprehensive responsibility of our organization.
Q: Who has the final say?
A: I guess the person who has the final say on everything, which would be our president and CEO. By virtue of his title, he gets the final say.
Q: Does it sometimes happen that there are disputes between, say, legal and external relations and marketing about a particular ad, and a particular ad actually winds up on the president and CEO's desk as a run/don't run?
A: Yes. It can - yes.
Q: It does?
A: Yes.

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Q: Has it is happened?
A: Yes.
Q: Has it happened in relation to the Joe Camel campaign?
A: I wasn't working on Camel the whole time, so I can't tell you for sure, because I wasn't the brand manager on Camel the whole time. I don't recall it happening while I was responsible for Camel.
Q: All right. Let's go a little broader than that. Not just when you were responsible, at any time when you were aware of -
A: I'm not aware of that, but it could have happened, because - when I didn't have Camel. I mean, I don't know. It could have and I would not have known about it.
Q: Are you aware of it happening with any other brand besides Camel?
A: Well, certainly we have ongoing discussions. I wouldn't say that it's because we have a big disagreement; it's because we are talking about the perspectives on both side. And the CEO is there and we reach a consensus on it. But, yes.
Q: As between legal and marketing and external relations, does any particular department - is it

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fair to call these departments?
A: Yes.
Q: Does any particular department have a veto?
A: Well, pretty much every department does. You know, they get to say, "I don't want this," or "I don't think this would – meets it." And then, if we can't agree, then it just keeps moving up.
Q: External relations, who heads that?
A: Tommy Payne.
Q: Tommy Payne. At one time was that a Mr. Griscom?
A: Yes.
Q: When did he stop?
A: I'm going to say it was earlier this year. I don't remember the exact month.
Q: Was he in charge of external relations for the entire period of, say, '84, roughly – well, say, your arrival at Reynolds in '82, through this last –
A: Oh no.
Q: He didn't have external – do you know when he took over that position –
MR. WILLIAMS: I'm sorry, Dave. Which question are you asking?
MR. SHONKA: Does Ms. Beasley know when

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Mr. Griscom took charge of external relations at Reynolds?
THE WITNESS: Let me just think. How many years was he there? This is a guess.
MR. SHONKA: Okay.
THE WITNESS: I'm going to guess like four years. It could be more, it could be less.
BY MR. SHONKA:
Q: And do you know who preceded him?
A: I don't recall exactly who. There's been, you know, reorganizations and it was in different pieces before, and –
Q: I have that impression.
A: I don't even know if it was just a head of external relations or they put some groups together. I don't remember exactly.
Q: Let's – you mentioned advertising review boards or panels and things like that a few minutes ago. Let's talk about how the marketing policy is implemented.
What does Reynolds do to implement – or did Reynolds do – again, let's focus on the period from your arrival until 1992 when the policy changed. Focusing on that period, what did Reynolds do to implement the 21 – the no smoking – no marketing

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to people under 18 policy?
MR. WILLIAMS: David, you started the question with the advertising review panel.
MR. SHONKA: Actually, I mentioned –
MR. WILLIAMS: Did you want to go broader?
MR. SHONKA: I want to go broader.
MR. WILLIAMS: Could you just rephrase.
MR. SHONKA: That was a transition. The witness had mentioned the advertising review panel earlier, and I wanted to know – let's consider that a headline, John.
MR. WILLIAMS: Okay. Why don't you just give her the question.
BY MR. SHONKA:
Q: Now the question. The big question is: How has Reynolds implemented its marketing policy in the period between, again, '82 and '92?
MR. WILLIAMS: Your focus is on youth market, right?
MR. SHONKA: Yes.
MR. WILLIAMS: '82 to 1992?
MR. SHONKA: Yes.
THE WITNESS: Oh, in many ways. I mean, first of all, there's the orientation that all of our employees have on our – on the policy. When we

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actually do our development work, we, you know, develop advertising, develop promotions. We're developing it among that age group, for that age group, for adult smokers. So we don't do any research, any development work, among those under 18. So obviously you're creating it, developing it and getting feedback for adult smokers, and that ensures that that's who you're talking to. So our research is – our development research was restricted, and is restricted, to adult smokers.
In the context of developing the work, we – when – for example, when I worked on the Camel campaign, when we would do focus groups – do I need to define that for you?
MR. SHONKA: I think I know what a focus group is, but –
THE WITNESS: Okay. I just didn't know.
MR. SHONKA: No, that's –
THE WITNESS: When we'd do focus groups and we would show advertising to the focus groups, we would ask people in the room, "Is this for people your age, for people older than you, for people younger than you," so that we could eliminate ads that people felt were for people younger than them.
BY MR. SHONKA:

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Q: Let me - are you finished with that answer?
A: No. I'm not.
Q: Sorry.
A: Can I go ahead and finish?
Q: Go ahead. Finish, please.
A: All right.
And so - and then during the development of it, we also obviously have, even after we've developed the idea, all of the internal reviews with external relations, with legal, with management, now with our ad review panel. And - to insure that everyone's perspective is this is within our guideline.
Obviously we do research after the fact, after we run a program, of who participated in it, and we look at research statistics on that, again to ensure it's the right adult appeal for smokers. Again, that's among adults. We only do research among adult smokers.
So all along the way there are checks and balances to insure that we are consistent with that policy.
Q: Let's back up a little bit on focus groups. Do you run the focus groups on virtually every advertisement that Reynolds runs?

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A: I would say most. I don't know if I could say every, but I would say almost all.
Q: And how about focus groups on every promotion?
A: Again, I would say most, not all. It would depend if you've done that kind of promotion before, or if - for example, we spend a lot of our dollars on price promotions: It's 25 cents off a pack. I mean, there's really not a need to do a focus group on 25 cents off a pack. Or we do buy one/get one free, I mean - in-store. There's just - you know, you've done that lots and lots; there's not a need to do a focus group on it.
But if it was a new idea, then, in general, we would have focus groups on it.
Q: You said that you asked the members of the focus group if the ad is for someone your age, someone older than you or younger than you. Is that the question that is put to them or -
A: When I was on the Camel campaign, that is the question we would put to them.
Q: In exactly that form?
A: Pretty much. I mean, it might have varied some. It might have been: Do you think this is for people for your age?

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You know, I don't know. I can't remember exactly. But that's the content of it, yes.
Q: Is this a - a written questionnaire that was presented to members of the focus group or -
A: No. Usually it's a discussion. I mean, it's - once in a while in focus groups you'll have a written thing for them to answer - I mean, clearly there's a screener up front they answer, to make sure they qualify to be in the group. But once they're in the group, it's usually a verbal discussion. Or, if you're putting ads out and you don't want everybody else's opinion to affect each other, you might ask them to write down their initial impressions before they talk about them. That sort of thing.
Q: All right. If a person responds to the question - participants in the focus groups are preselected; is that correct?
A: Yes.
Q: And they could be 18 to 20 in some focus, 21 to 24 in others, and on? The age group is predefined?
A: Normally the age group is predefined. We have done age groups where - it's always - the period before '92 you're talking about? It always

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would have been 18 years and older adult smokers. And then, after '92, 21 plus adult smokers. But, you know - so to that effect, the age group is always defined.
Now, is it defined more narrowly than that? Most of the time, but not always. You might just want a group of Marlboro smokers, or you might want a group of adult Camel smokers of all ages. We have done that sort of thing.
Q: Let's talk about the ones where the age group is defined. And assume you have a panel of 18 to 20 year olds and the question is put to them, "Does this appeal to you, to someone older than you or someone younger than you?"
A: Uh-huh.
Q: I take it that, if the majority - or - of the focus group participants say, "Oh, this appeals to my group, 18 to 20," that's no problem for Reynolds. That's correct, isn't it?
A: Well, right. We're looking for whatever age group we have in the focus group. We're looking for them to say: Yes, I like this; this appeals to me for people my age.
Q: Now, if an 18 to 20 focus group says, "This appeals to me and to grandma," I take it that

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doesn't present a problem for Reynolds?
MR. WILLIAMS: Hold on, hold on. When you say "present a problem," do you mean in terms of compliance with the guidelines or –
MR. SHONKA: In terms of compliance with the marketing policy.
MR. WILLIAMS: – or marketing problems?
MR. SHONKA: Marketing problems.
MR. WILLIAMS: One can be commercial and one can be the policy.
MR. SHONKA: Do you understand what Mr. Williams is talking about here?
THE WITNESS: (Witness nods head.)
MR. SHONKA: Could you explain it for the record?
THE WITNESS: Is that my job, to explain you?
MR. WILLIAMS: No, that's not your job. It's not your job to explain what Mr. Williams is talking about.
MR. SHONKA: Did you nod yes in response to my question, "Do you understand?" You did nod yes, didn't you?
THE WITNESS: Yes.
BY MR. SHONKA:

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Q: Okay. Could you explain it, please.
A: Well, I believe what he's saying - you can clarify, if I have it wrong - is, you know, when we are running the focus groups, one question is: What is our marketing objective? Who do – what age group do we want this marketing to appeal to?
And, so, there could be a marketing question there of: If someone says, "Yes" – they're 25 years old and they say, "Yes, it appeals to me, but I think it would appeal even more to someone who's 70," well, that might present a problem. That might not be where you want to be.
Now, with regard to our company policy of marketing to adult smokers, that obviously is not a problem.
Q: All right. Let's focus on the policy, not on the marketing issue, then.
MR. WILLIAMS: Well done.
THE WITNESS: Okay.
BY MR. SHONKA:
Q: If the focus group participants respond that a particular presentation appeals to them and to someone much older than them, from marketing policy point of view that does not present an issue for Reynolds, does it?

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A: No.
Q: What if the answer is, "Yes, it appeals to me and to my baby brother"? Again, we're talking 18 to 20s.
A: That's a problem, and then we would eliminate our advertising.
Q: Even though the ad appeals to a legal market as well?
A: Yes. We – you know, if that particular ad execution – what we're looking for when we ask that question is, does it appeal to me, or does it appeal more for people younger than me. So I can't say that we would exactly ask the question of would it appeal more to someone younger than me.
But if someone said – if someone in the group, when I was there, would say, "Hey, I think it appeals to people younger than me; I like it, but I think it appeals to someone younger than me," then we would eliminate it.
Q: Just to be a little more precise on the question, what if the person said, "I like it a lot, and I also think that people younger than me would like it too"?
A: Again, what we're looking for, how we ask the question, is "Who do you think it would appeal

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to? Do you – is it for people your age, for people younger than you, for people older than you?"
They say, "I think it's for people my age"; that would be okay. "For my age and people older than me" would be okay.
If they said, "I think it's for my age, but I think it would really appeal to people younger than me," then that's a problem and we would eliminate it.
Q: As I understand what you're saying, though, that sort of response, "it would appeal to me and to someone younger than me," would – if it comes out – if it came out at all in a focus group, it would have come out spontaneously from the person being asked – being interviewed; is that correct?
MR. WILLIAMS: David, let me stop one minute. I think you're talking a little bit differently. You were asking about one specific response from one person. As I understand what Lynn is saying, she is talking about they –
MR. SHONKA: Yeah –
THE WITNESS: The group.
MR. WILLIAMS: The group.
MR. SHONKA: Yeah, the group. Okay.
MR. WILLIAMS: So I think you may want to be

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careful here between what one person might say and what the group –

BY MR. SHONKA:

Q: As to individuals in the group, if individuals in the group say that the ad would appeal to me and would appeal to someone younger than me, that response would be wholly spontaneous on the part of the person being interviewed; is that correct?

A: Well, it's not spontaneous, because we've asked the question. I don't know what you mean.

Q: I'm sorry. But the question, as I understand it, that you asked, is, "Does this appeal to you or to someone younger than you or someone older than you?" And if the person says, "Oh, it appeals to me," that's a direct response to your question – a precise response to your question. If the person is to say anything other than that, then the response has to be volunteered, doesn't it?

MR. WILLIAMS: Well, I'm going to object. The question that the focus group people get is, is it one or the other?

MR. SHONKA: Yeah.

MR. WILLIAMS: So I don't understand what you mean by "spontaneous."

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THE WITNESS: I mean, we ask a question and we get an answer. I mean, that's not really spontaneous to me. That's like you ask a question and you get an answer.

BY MR. SHONKA:

Q: If the answer is broader than the question?

A: It isn't necessarily –

MR. WILLIAMS: Can you put a precise question, David? Your question now: If one is broader than the other?

MR. SHONKA: John, you're getting awfully close to coaching the witness.

MR. WILLIAMS: I am not coaching. This witness certainly doesn't need coaching.

MR. SHONKA: I agree. I fully agree with that.

MR. WILLIAMS: David, look, I am not coaching the witness; I am asking for a precise question. That's all.

In your last question, I'll be happy to go back, was something about "if one was broader." That was the whole question.

BY MR. SHONKA:

Q: The questions that were put to the witness – to the members of the focus group were

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three; is that correct? It's: Does this appeal to you? Does it appeal to someone older than you? Does it appeal to someone younger than you?

A: It's one question. It's: Does this appeal to you, to people older than you, or to people younger than you?

That's the question.

Q: Yes. And focus groups participants, individual participants, responded to that question by saying one of the three –

A: Well, I mean –

Q: – older than me, younger than me –

A: Normally, how a focus group would respond is like this. For example – I'll give you a real life example.

We had the Joe Camel with punk hair. He had punk rain hair. They said, You know, I think that would really appeal to people younger than us.

We said, Okay, we'll eliminate it then. So, I mean, that's how it goes. I'm not sure what else you're asking besides that, but that's how it goes. You show them that, and they say, "Hmmm, I think it appeals to people younger than me," and we eliminate it.

Q: All right. Were there ever episodes where

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people said, "It appeals to me and it would appeal to someone younger as well"?

A: Well, I think, in essence, there might be. But usually what you get – I mean, my recollection of what you get is they'll say, "I think it appealed to people younger than me." I don't think they're saying, "I definitely wouldn't like it."

But when we put the question to them, "Does it appeal for people – to you, for people older than you, or people younger than you," they're looking at it and going, "Yeah, it is really for people my age," or "I would think more this is for people younger than me."

So they would answer, like with this punk Camel, "I think it's really for people younger than me." And then we would eliminate it. That's how it would go.

Q: And when you say "they," you're referring to the focus group as a whole, I assume?

A: Well, not – I mean, the – no – in any focus group, not everyone says the same thing. But, you know, you have a couple, two or three people, who say it, then that's enough: You eliminate it.

Q: How large is a typical focus group, if there is –

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A: Usually, like, I would say eight to ten people.
Q: Looking at the question, again, older than you, younger than you ...
MR. WILLIAMS: "Or you"?
MR. SHONKA: Or you.
Thanks, John.
BY MR. SHONKA:
Q: Looking at that –
MR. WILLIAMS: Now I'm coaching you.
MR. SHONKA: And I appreciate that.
BY MR. SHONKA:
Q: Is that the – is that the extent to which Reynolds probed the age question in focus groups?
A: Well, again, we had adult smokers in there; we only do research among adult smokers. And inside the focus group ourself, that's how we probed the question. Obviously there's all the reviews I talked about and the development process of the entire company. So – I mean, specifically to that group?
Q: Yes, I'm just asking focus groups. That's the one question.
A: Yeah. And, again, there may have been others, you know, and phrased differently; but

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that's essentially the way it was done.
Q: What would some of the others have been?
A: I don't recall, really. I mean, "Do you think it's" – I mean, that was pretty much the question when I was there we asked.
Q: Okay. You mentioned an Ad Review Panel?
A: Yes.
Q: What is that?
A: That's an internal review panel made up of non-marketing employees. So it includes people who are parents, who therefore would be able to look at the issue as it relates to kids and being a parent, and how do they feel that this meets our policy. It's made up of diverse people, females, males, African-Americans, whites. It's a – we try and make it a diverse panel, so that issues that we might not see, this panel might see.
Q: And what is the formal name of that panel?
A: The Ad Review Panel.
Q: The Ad Review Panel. When did Reynolds initiate the Ad Review Panel?
A: Oh, gosh. I don't remember exactly; it's been a while. I can look it up.
Q: Since the beginning of the Joe Camel campaign?

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A: No. It was not in place at the beginning – when I was there, at the beginning. It was probably a couple of years after that.
Q: Can you say whether it was after 1990?
A: I –
Q: In this decade?
A: Well, I'm guessing. I think so. But I – really, I could go back and look it up. I just don't remember exactly.
Q: There's one ad that Reynolds ran one time, "Bored, Tired, Restless"?
MR. WILLIAMS: "Lonely."
MR. SHONKA: Lonely? Is that it? "Bored Tired, Lonely"?
THE WITNESS: No.
MR. KACZYNSKI: "Bored, Lonely" –
BY MR. SHONKA:
Q: "Bored, Lonely and Restless." So the record is clear, could you tell us what the ad was that we're talking about?
A: I think it was "Bored, Lonely, Restless" is what you're referring to.
Q: When did that ad run?
A: Gosh, I just don't recall exactly when it ran. I wasn't on Camel at the time, but I think it

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was probably maybe 1990, '89/'90, something like that.
Q: Is that the ad that triggered the – the creation of the Ad Review Panel?
A: I believe so.
Q: Are there any other – or have there been – strike that.
Besides the Ad Review Panel, has there been any other review panel or similar body to review Reynolds ads?
A: Well, like I told you early on, this is from the very beginning when I was there. There's many review points. You know, there's all the review in external relations, there's all the review of the legal department, there's the review of management. So, yeah, there's a lot of review of the advertising.
Q: But no panels, per se?
A: Not a panel of that nature, before that.
Q: Or since then – is the Ad Review Panel still functioning?
A: Yes.
Q: And it has – and no other panel has spun off from that or followed that?
A: No, don't think so.

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Q: Okay. Has the composition of the Ad Review Panel – strike that.
You said the Ad Review Panel is composed of Reynolds employees.
A: (Witness nods head.)
Q: "Yes"?
A: Yes. Sorry.
Q: And you said there's an effort at diversity among panel members?
A: Yes.
Q: Do panel members serve for a term?
A: Yes.
Q: How long is that?
A: You know, our – I can't remember exactly. Our legal department is responsible for rotating members off, and they have a rotating term.
Q: How large is the panel? How many people?
A: It varies over time. Again, our legal department is responsible for that, but it varies over time. It depends upon who they've brought in and who they're rotating off and that sort of thing.
Q: Do you have a sense of the range in size, the fewest and largest?
A: No, I wouldn't know exactly.
Q: Do you know how people are selected for

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participation on the panel?
A: Again, the selection criteria is looking for people who, you know, would look at it, without the experienced eye of marketing, for marketing issues; but more from a perspective as a parent, as a female, as a male, as an African-American; to look at it from a perspective that is different than a marketing perspective.
Q: So the focus of the Ad Review Panel is not just on marketing age, it's on other issues?
A: Yes.
Q: Race, sex –
A: Yes, exactly.
Q: – and so on?
A: (Witness nods head.)
Q: Are all members of the ad panel, to the best of your knowledge, lay people, in the sense of non-professionals?
MR. WILLIAMS: She said non-management – I'm sorry, non-marketing.
THE WITNESS: Non-marketing.
MR. WILLIAMS: Non-marketing.
THE WITNESS: No, I don't know. I mean, I haven't looked into the background of every one. If you say – are they hourly employees, you mean, or

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management employees, or – I'm not sure what you're asking.

BY MR. SHONKA:

Q: Do you know if they are management employees?
A: Well, it depends upon how you define "management." I mean, to me, just because someone works in an office versus on the factory floor, I wouldn't say management.
Q: Good point.
A: So ...
Q: Well, how about in terms of their educational levels? Are there any criteria in that regard?
A: I don't recall any. I'm not saying unequivocally there's not; our legal department oversees it. But I don't recall that being a criteria.
Q: Are members of the panel – does the panel ever include what we might call as "senior management"? And let's say senior management is – for purpose of this question, let's say anybody who is not an hourly employee. That's not "senior."
MR. WILLIAMS: No, it isn't.
THE WITNESS: That would be like really not

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right.
MR. SHONKA: I'll take that question out and shoot it, and we'll try again.
MR. WILLIAMS: I've got a few others while you're out there.
MR. SHONKA: You'll have more.

BY MR. SHONKA:

Q: The – considering senior management as anyone who is supervisory – considering management as anyone as supervisory, that's already over employees, does the Ad Review Panel include managers?
A: I think it might. I mean, I can't re – it's not my job to pick those, but I think it's entirely possible that it might include people who supervise other people. I can't say that for a fact, but I think that's entirely possible.
Q: Who would be able to tell us about the composition of the Ad Review Panel?
A: Well, again, I told you generally what the guidelines are that are set. But I would say that – Guy Blynn is our legal counsel, is the person in charge of it.
Q: Is Ms. Blynn (sic) the person who selects the person who – the members of the panel?

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A: He oversees that; I'm sure his staff helps. I can't tell you exactly the person.
Q: Is it Reynolds' view that advertisements do not present a marketing problem so long as the advertisements appeal predominantly to a legal market?
MR. WILLIAMS: Oh, goodness.
BY MR. SHONKA:
Q: Meaning an over 18 market.
MR. WILLIAMS: You're talking about with respect to the youth marketing issue, right?
MR. SHONKA: Yes.
THE WITNESS: Again, my view is that advertising is a nonexistent, insignificant factor in the reason people choose to start smoking, either underage or adult. And I think our responsibility, which we take on and deliver against, is that our advertising appeals to adult smokers.
BY MR. SHONKA:
Q: Uh-huh. And so the question, though, is: Is it Reynolds' view that an advertisement does not present a marketing problem so long as it appeals principally to an over 18 market?
MR. WILLIAMS: Can you define "principally"?
THE WITNESS: I mean, again, we develop the

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advertising for adult smokers. It is my view that advertising is an insignificant to nonexistent factor in the reason people choose to start smoking or to quit smoking.
BY MR. SHONKA:
Q: That still wasn't the question. The question was: Does Reynolds consider an advertisement as not presenting a marketing problem so long – so long as it appeals principally to an audience that is over 18?
MR. WILLIAMS: I'm going to object. Again, it's vague. What do you mean by "principally"?
THE WITNESS: I mean – I mean, you'll have to ask – I thought I answered the question. So you'll have to ask me the question – help me with it. Because "present a marketing problem," I thought that's what I was answering.
BY MR. SHONKA:
Q: Well, your response was, as I recall, that your view is that advertising plays only an insignificant part or minor part in any purchasing decision. Is that a fair –
A: It's an insignificant to nonexistent factor in the decision to start smoking or quit smoking.
Q: And that was the way you answered the

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question. But the question was: Does Reynolds view an ad as not presenting a marketing problem so long as it appeals principally to people who are over 18 years of age?
A: What do you mean by "a marketing problem"?
Q: We had earlier talked about the difference between marketing from the policy point of view as opposed to marketing from the marketing point of view. I'm still on the policy issue that we defined earlier.
A: So when you say "marketing problem," you mean does it violate –
Q: I mean marketing policy problem.
A: Oh, okay.
Q: All right. With that clarification, does Reynolds consider an advertisement to be okay so long as it appeals principally to an audience that is over 18 years of age?
MR. WILLIAMS: And, David –
BY MR. SHONKA:
Q: And when I say "okay," I mean from the perspective of the marketing policy.
MR. WILLIAMS: Are you asking now or when she – because the policy –
MR. SHONKA: We're in the – we'll stay with

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the period.
MR. WILLIAMS: Which period?
MR. SHONKA: Between 1982 and 1992.
MR. WILLIAMS: Okay.
THE WITNESS: We can – this is the best I can answer, I think, is we consider an ad to be acceptable if it meets all of our policies and guidelines. When we develop it for adults, among adults, it is the view of the many, many people who review it that it is an adult ad and that it works among adult smokers and – so that is our criteria. It's not – if it complies with all of our policies, then obviously it's not a problem with marketing policy.
BY MR. SHONKA:
Q: Let's say, in response to the questions we talked about earlier, older than you, younger than you or you, in response to those questions, the response is, "I think this ad appeals to everybody from 6 to 90." Does that present a problem for Reynolds from the point of view of marketing policy?
A: When we ask people, we ask them, "Does it appeal to primarily people your age, younger than you or older than you?" And if they say, "Primarily people younger," then it's a problem and we

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eliminate it. If they say, "It appeals to people my age," or, depending on the marketing decision, not the policy decision, of who we want to appeal to, older can or cannot be a problem.

But, I mean, there's that - it's not - that is the question.

Q: All right.

MR. SHONKA: Could you read that back, please? I'm sorry.

MR. KACZYNSKI: And answer, yes, please.

MR. SHONKA: Can we have the question, too, just so I can ...

(Whereupon, the question was read back by the court reporter as follows:

"Question: Let's say, in response to the questions we talked about earlier, older than you, younger than you or you in response to those questions, the response is, "I think this ad appeals to everybody from 6 to 90." Does that present a problem for Reynolds from the point of view of marketing policy?

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Answer: When we ask people, we ask them, "Does it appeal to primarily people your age, younger than you or older than you?" And if they say, "Primarily people younger," then it's a problem and we eliminate it. If they say, "It appeals to people my age," or depending on the marketing decision, not the policy decision, of who we want to appeal to, older can or cannot be a problem.

But, I mean, there's that - it's not - that is the question.

MR. WILLIAMS: What is the question now?

MR. SHONKA: Let's go back to the earlier formulation.

BY MR. SHONKA:

Q: If the response - if an ad appeals primarily to an over 18 market -

MR. WILLIAMS: That wasn't the question.

MR. SHONKA: No.

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MR. WILLIAMS: Are you changing questions? The question that she read and was answered is: What if it appeals to everyone ages 6 to 90? Does this present a problem?

I thought you were going back to that question.

MR. SHONKA: All right, we'll go back to that one. I was going to go back to -

MR. WILLIAMS: I'll do whatever you want. I just want to make sure we know what we're answering here.

MR. SHONKA: That's why I was asking the question.

MR. WILLIAMS: David, you said, "I'm going to go back to my last question," and then you rephrased the question. I just want to make sure there's certainty in the record as to what the question is. Go ahead.

MR. SHONKA: Thank you.

BY MR. SHONKA:

Q: All right, let's go back to the universal one.

If an advertisement appeals to people of all ages, 6 to 90, from a marketing policy point of view, does that present a problem for Reynolds?

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A: I would say this. That, again, it would - we would probe the response. It wouldn't be that you just have that response; you would go on and ask questions. You would say: Do you think it was primarily developed for people - you know, does it primarily appeal to people your age, younger than you or older than you. I mean, we would go on and ask further questions. And, if they would say, "I think it's primarily for people younger than me, Then we would eliminate it.

Q: Would you ever ask a focus group - or have you ever asked, in your experience, asked a focus group if an ad has universal appeal?

A: I don't recall ever asking that, no. I mean, the question we try and get to - we're dealing with adult smokers - Do you feel like this advertising is for you? Because that's what we're trying to develop advertising, "for you." And so that's the question we're asking.

So, no, I don't remember that response.

Q: What about promotions? We've been talking about print ads so far, and let's - you said earlier that promotions are also the subject of the focus group. Are the same questions put to focus groups in - regarding promotions?

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A: Again, it would depend on the promotion, you know. But, in general, what we ask is, "Is this promotion for you? How appealing is it to you? Is it for people your age?"

So, yeah, we're trying to gauge appeal of that promotion when we do the focus group. Would you participate in whatever? Would you collect proofs from the pack or whatever?

Q: Just so the record is clear, what – what do you mean when you respond with promotion?

A: Well, promotion can be very broad. Promotion can include five cents off a pack in-store, it can include an offer in direct mail with a coupon.

I would say, in general, a promotion provides some incentive to try and get an adult smoker to either stay with your brand or to switch from some other brand to your brand.

Q: Promotion – do promotions run to the offer of merchandise?

MR. WILLIAMS: Exclusively or –

MR. SHONKA: No. Do they include –

MR. WILLIAMS: Include.

MR. SHONKA: – offers of merchandise?

THE WITNESS: Yes.

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BY MR. SHONKA:

Q: Catalog sales?

A: Could, yes.

Q: "Could" implies "could not." When wouldn't it?

A: Well, catalog sales is sort of a general thing. I mean – you know, catalog sales could be the catalog you get in the mail and you order merchandise. I mean, that's a different business. So when you say catalog sales, I'm not sure exactly what you mean.

It can include Proof for Purchase programs, where, I mean, you collect proofs and you can use those proofs to get free merchandise. If that's what you mean by catalog sales –

Q: Okay.

A: – it includes that.

Q: Promotions include catalog sales in that sense?

A: In that sense.

Q: Okay.

T-shirt offers, are those promotions?

A: Yes.

Q: Now, backing up to my question. Was – when focus groups are conducted on promotions, is the

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question put to the participants in the focus group of, "Does this promotion appeal to someone your age, someone older than you, or someone younger than you"?

A: Again, it depends on, I'm sure the promotion that you're looking at – I can't say universally that's always asked; it just depends on the promotion you're looking at. It could be you've done this promotion six times; what you're testing out is, you know, the difference in value or what they think the proof of a C-Note is worth. You know: Do you think it's worth twenty cents? Do you think it's worth fifty cents?

I mean, depending on the nature of the group and the purpose of the group, you might or might not ask that. Because that might not be what you're looking for. You might be looking for: Gee, in this promotion where you're offering free merchandise, do – how much – how valuable do they think these little proofs are? What's their perceived value of them?

So, I mean, the whole nature and purpose of the group is a different subject.

Q: Do I understand you to say, then, that the question is always put to focus groups with regard

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to print ads, but not put to focus group with regard to promotions?

MR. WILLIAMS: When you say the question –

MR. SHONKA: The question –

MR. WILLIAMS: – are you putting the age question?

MR. SHONKA: The older, younger.

THE WITNESS: We would always put some sort of question to people: Does this appeal to you? Do you think this is for you?

Now, the exact wording of the question, it would just depend on the group, the purpose of the group, who's doing it, how they're doing it. I can't make some blanket statement.

BY MR. SHONKA:

Q: Is there some term in Reynolds to describe the difference in the two situations you're talking about with promotions, the one where you're asking general questions like what's a C-Note worth versus a focus group where you're trying to find out if you wanted to run a particular type of promotion?

MR. WILLIAMS: Why don't you shoot that question too and start again?

MR. SHONKA: No, I don't want to.

MR. WILLIAMS: What are you asking?

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BY MR. SHONKA:

Q: Is there a term in Reynolds to describe the different types of promotion focus groups?

A: I don't think so, no.

Q: Okay. Are focus groups run on anything besides advertising and promotions – advertisements and promotions?

A: Yes.

Q: What other things?

A: Packaging, product, merchandising, line extensions, general lifestyle questions about adult smokers, where you just want to understand the people. Competitive questions: What they think of our brands versus the competitor's brands; so kind of a competitive assessment.

I mean, there's just like an endless list. Because what you're looking for is knowledge about adult smokers. So, whatever knowledge you're seeking, that focus group could be about.

Q: On packaging, what do focus – what – why do you run focus groups on packaging?

A: Because, you might be looking for a new design, to update it. You might think it's kind of not as contemporary as it might be or it might not – like it might not communicate the product

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attributes you want. Like you want the people to know that the product is really smooth, and the packaging might be indicating it's not. So you're looking at alternative – you know – you're looking like you're confused.

Q: No. I'm fascinated by the thought – I am frankly fascinated by the thought that somebody could look at a package and say, "Oh, this looks harsh," or, "This looks smooth."

A: Oh, yes. Oh, yeah. Definitely. And so –

Q: How?

A: Well, there's just the cues on the pack. Do I think the colors say that? Do I think the design says that?

I mean, you have to think about it. When you buy a product, you walk in a store and buy a product, you look at the package and you make decisions about what you think that cookie is going to taste like by what the package looks like. You do.

So ...

MR. KACZYNSKI: Admit it now.

BY MR. SHONKA:

Q: But regarding –

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MR. WILLIAMS: We need an answer to that question.

THE WITNESS: I'm sorry.

BY MR. SHONKA:

Q: But regarding packaging, again, are these questions put to members in focus groups on packaging: "Does this package appeal to someone older than you, younger than you or your age"?

A: I don't know. Probably – again, I can't make a blanket statement; it depends upon what you're looking at; it depends upon the question you're studying. But, in general, yes, we want to know if the packaging appeals – is for you.

MR. SHONKA: You're looking at your watch, John. Did you want to be take a break?

MR. WILLIAMS: No. I'm just trying to figure out how much fun I've had this morning. We've been going an hour and 15 minutes. If you want a break, that's fine.

(Discussion off the record.)

(Recess taken from 11:11 a.m. to 11:14 a.m.)

BY MR. SHONKA:

Q: Ms. Beasley, does – what has been Reynolds policy regarding the review of materials by the legal department?

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A: They review our advertising.

Q: Anything else?

A: I don't know what you mean.

Q: Memoranda, internal memoranda, presentations? Anything else besides advertising?

A: Well, certainly we have them – we include – we get their opinion on programs we're doing. I mean, they help oversee that we comply with all of our policies. So – I mean, they might be involved in meetings or – just depending on the issue, yes.

Q: Okay.

MR. SHONKA: I'd like to have an exhibit marked for – Exhibit 4, I believe it is – is it 4?

MS. SULLIVAN: Yes.

MR. SHONKA: For the record, this is going to be a document that has been previously marked as CX-598. It is a document labeled "Law Orientation Manual for New Marketing Personnel." And it bears the Bates numbers 50374 0323 through 0329.

I will state for the record that on this document, while the Bates numbers are consecutive, a close look at the document will review – will reveal that, in fact, there are pages missing. But what we have is what we got from Reynolds. So if

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the court reporter would mark it.
(Beasley Deposition Exhibit No. 4 was marked for identification.)
BY MR. SHONKA:
Q: Ms. Beasley –
MR. WILLIAMS: Hold on just a second. Well, just for the record, my copy has consecutive Bates numbers.
MR. SHONKA: Oh, the Bates numbers are consecutive. But, if you look at the text of the document, it doesn't flow, which means – suggests to me that there are pages missing from within the document, although Reynolds apparently thought it was giving us the entire document, it in fact didn't.
MR. WILLIAMS: Well, we don't know that it did or it didn't. But go ahead.
MR. SHONKA: All right.
BY MR. SHONKA:
Q: The question, Ms. Beasley is: Have you seen a Law Orientation Manual previously?
A: I don't recall exactly what I was given when I got my orientation. It could have been included, a manual. I just don't remember the specifics. It's been, you know, almost 16 years ago.

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Q: Do you know if current marketing employees are given an orientation manual from the law department?
A: Current marketing employees are given an orientation with the legal department, yes.
Q: And are they given an orientation manual?
A: I don't know if they're actually handed this manual or not.
Q: Rather than this manual, are they handed any manual that you're aware of?
A: Well, they're given our advertising code. The voluntary advertising code that the company complies with, they're given that. I mean, you might call that a manual. But are they given this specific thing? It looks like they are, but I'm – I'm not positive.
Q: Okay.
MR. SHONKA: I'd like to have another document marked as Beasley Exhibit 5.
(Beasley Deposition Exhibit No. 5 was marked for identification.)
MR. SHONKA: And for the record, that is a document that bears the Bates numbers 51578 7126 through 7129. It is a document called "Marketing Assistant Training Manual (Law Department Draft)."

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It's marked as a draft and dated 5/14/86. I'm handing the witness that document.
(Witness reviews document.)
BY MR. SHONKA:
Q: And I first ask the witness if she has seen Beasley Exhibit 5 previously.
A: Just give me a moment to look at it.
Q: Sure. Take your time.
(Witness reviews document.)
A: And your question is?
Q: Have you seen Beasley Exhibit 5 previously?
A: I may have. I just don't recall.
Q: Do you recall if you've seen anything like Beasley Exhibit 5?
A: Again, when I went through my legal orientation when I started with the company, I know that they probably gave us documents. I know they gave us the advertising code; they may have given us something very similar to this. It's just been 16 years ago, so I don't recall exactly.
Q: Have you had a chance to look at Beasley Exhibit 5?
A: Well, very briefly. I didn't read it all, if that's what you mean.
(Witness reviews document.)

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Q: Can you tell me if Exhibit 5 – Beasley Exhibit 5, to the best of your understanding, reflects the relationship between the law department and the marketing department in the period between 1986 and 1991?
MR. WILLIAMS: Oh, David. May I object?
MR. SHONKA: You may object, but I'd still like an answer.
MR. WILLIAMS: She will answer, but I will object. Lack of foundation, personal knowledge, and this thing says "draft" on it. So I don't know where you're going here, but those are my objections.
BY MR. SHONKA:
Q: The question is whether the draft accurately reflects.
A: I would have to go through it point by point, to see if it reflects my understanding. You know, just – just looking at the first page:
(Reading)
The Law Department needs to give its input regarding advertising, packaging and promotional ideas at the earliest stages, so that it

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will not - [excuse me], so
that you will not expend
considerable time, energy and
money only to find that there
is a major legal problem with
your idea.
I think that reflects our relationship.
Q: Has that been true at all times that you've
been at Reynolds?
A: Yes.
Q: Further down on that first page there's a
paragraph under the section "Youth"?
A: Yes.
Q: And does that paragraph accurately reflect
the policies --
A: I'll just take a minute and read it.
Q: Sure. Take your time.
(Witness reviews document.)
A: Yes.
Q: All right. And if I could ask you to take a
look at page 2, the top paragraph that begins
"Non-smokers:" (Reading)
The Company has no
interest in getting
non-smokers to smoke. For

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this reason, neither our
research nor advertising
concerns itself with
non-smokers. Also, we have no
interest in preventing someone
from quitting cigarette
smoking.
Let me just give it to you.
MR. WILLIAMS: How do I know what she's
putting in the transcript?
MR. SHONKA: I just - The top paragraph. I
will read it again, if that helps you, John.
MR. WILLIAMS: No, no. I just wanted her
to ...
MR. SHONKA: I had read it and I wanted her
to get an accurate copy, is all.
MR. WILLIAMS: All right. You have given to
the court reporter ...
MR. SHONKA: The top paragraph of page 2.
MR. WILLIAMS: Entitled "Non-smokers"?
MR. SHONKA: Right.
MR. WILLIAMS: And she has transcribed into
the record that paragraph down to "C" -
MR. SHONKA: I had previously read that
paragraph.

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MR. WILLIAMS: - "Health Representations."
Is that right?
MR. SHONKA: Yes.
BY MR. SHONKA:
Q: Does that paragraph reflect policy, as you
understand it, at Reynolds?
A: Yes, I would say so.
Q: What about if we could skip down to
paragraph D, "Documentation:" (Reading)
The company follows the
maxim: Say what you mean and
mean what you say. Documents
should not be written that (a)
speculate as to legalities or
(b) deal with subjects that
the Company has no interest in
pursuing. Documents should be
written as if (because the
prospect is likely in many
instances) they will be
subpoenaed and reviewed by an
opposing attorney. Documents
are not to be retained longer
than they are actually needed.
Everyone should familiarize

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themselves with the RJRT
records management policy and
procedure.
A: Yeah, I can't say I've seen a company policy
that says anything like this.
I mean, in general, would it be wise to say
what you mean and mean what you say? I think that
will be good. The rest of it, you know, no, I can't
say that's policy. And certainly as it relates to
document retention, with each new issue that comes
up, that has evolved over time, what is required to
be maintained and what isn't. So, no, I wouldn't
pick up that paragraph as this.
Q: Does the marketing department try to say
what it means - say what it means and mean what it
says?
A: I would hope so. That would be a good goal,
anyway. I think we all try and do that.
Q: Going back to the top of page, the first
sentence: (Reading)
The Company has no
interest in getting
non-smokers to smoke.
You've seen that, I take it, in quite a
few marketing documents?

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MR. WILLIAMS: I'm sorry, what's the question?
MR. SHONKA: I said: I take it she's seen that first sentence stated in quite a few marketing documents.
MR. WILLIAMS: Well – all right, go ahead. If you can answer it. Has she seen that statement in quite a few marketing documents?
MR. SHONKA: Yeah.
THE WITNESS: I've seen that in some marketing documents. I would say the majority don't carry that statement because the majority are about adult smokers and how we're marketing to adult smokers.

BY MR. SHONKA:

Q: Do you have any recollection about when you first started seeing it, those statements?
A: Well, again, I don't know specifically; but I know during my orientation with the company – well, actually, when I interviewed, I know this was said to me verbally. During my legal orientation – during my legal orientation, it could have been given to me in writing.
If you're asking when did I first see it in writing, it could have been during my legal

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orientation, I just don't recall. It probably was.
Q: How about on marketing documents outside the orientation session? Do you remember when you first saw this sentence I've pointed you to on the top of page 2?
A: In the context of marketing documents?
Q: Yes.
A: No. Again, the majority of marketing documents deal with marketing programs to adult smokers. So, generally, I would say that most of the marketing documents don't carry that statement; it's a given.
Q: If I could have you go back to Exhibit 4.
MR. WILLIAMS: That's this one here?
MR. SHONKA: That's the manual.
THE WITNESS: Okay.

BY MR. SHONKA:

Q: The last page is signed by Tom Rucker. Do you know him?
A: Yes.
Q: Who is he?
A: He works in our legal department, for Guy Blynn.
Q: According to Exhibit 5, it says that he was –

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MR. WILLIAMS: Wait – I'm sorry. You're reading from 4 or 5?
MR. SHONKA: I'm reading from 5 at the moment, the first page.

BY MR. SHONKA:

Q: Review of advertising, packaging and promotions, that he is a contact person.
MR. WILLIAMS: That's what it says.

BY MR. SHONKA:

Q: Is that true today?
A: Yes. He works on reviewing marketing programs.

BY MR. SHONKA:

Q: Has that been true at all times you've known him?
A: I don't know exactly his job accountabilities, but he's always been involved in the legal department, since I've known him, in reviewing marketing programs. I don't know specifically how they divided it up every year, but ...
Q: All right. Has he been in the marketing department as long as you've been at Reynolds?
MR. WILLIAMS: Wait, wait, wait. I'm sorry.

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Are you talking about Tom Rucker?
MR. SHONKA: I'm sorry, I misspoke.

BY MR. SHONKA:

Q: Has he been in the legal department as long as you've been at Reynolds?
A: I believe so.
Q: All right. On Exhibit 4, that's the manual, the last page, under "Conclusion," it says that: (Reading)
During the course of your career at R.J. Reynolds Tobacco Company, you will be writing a variety of letters, plans, memoranda and rough notes.
Do you see that?
A: Yes, I do.
Q: And then it follows: (Reading)
All written materials, whether internal or external, confidential or non-confidential, should be drafted as if they might be printed the next day on the front page of a nationally

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known newspaper. We would also suggest that much of your business can be communicated orally and that the Company's record retention policy be faithfully observed.
Do you see that?
A: Yes, I see that.
Q: Are written materials written as if they might be – appear on the front page of a nationally known paper the next day at Reynolds?
MR. WILLIAMS: Wait a minute. Wait a minute. All documents – is your question are all written materials –
MR. SHONKA: I'm asking –
MR. WILLIAMS: Just –
MR. SHONKA: Go ahead.
MR. WILLIAMS: If you want to rephrase, go ahead and then I'll object.
MR. SHONKA: No, go ahead. We'll hear the objection first.
MR. WILLIAMS: Overbroad, lack of foundation.
If your question is, Are all written materials drafted for publication in the Washington

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Post, I can answer that question. But I would suggest that this witness has no basis to answer such an overbroad question.
BY MR. SHONKA:
Q: Just to back up for a minute. Your positions at Reynolds have included that of senior vice president, executive vice president for marketing?
A: Yes.
Q: And that is in fact your current position?
A: Yes.
Q: So you are in charge of all marketing –
A: Yes.
Q: – for the company?
A: (Witness nods head.)
Q: You understand how the marketing department works, I take it?
A: Yes.
Q: All right. Is it a goal of the marketing department to prepare all written materials as if they might be printed the next day on the front page of a nationally known newspaper?
A: No, I would not say that's our goal.
Q: Has there been an effort to do that?
A: No, I would not say so. I would say that

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it's closer to: Be sure what you say is clear because obviously it's being retained; it could appear anywhere. I mean, we've had those kinds of discussion: Be clear in your language.
But I can't say I've ever – I don't ever recall telling people, you know, "Write it like it will be on the front page."
Q: When you say, "Be clear in your language," that is like, "Say what you mean and mean what you say"?
A: Yes. I would say that's closer.
Q: And you've had discussions in that area?
A: Yes.
Q: And you do frequently?
A: No. I would not say frequently. But, you know, something will come up and I'll say, "You know, this" – like I'll get a document and I'll say, "You know, this really isn't clear; it could be misinterpreted. It's important to be clear in what you say."
Q: Okay. What about the next sentence in the manual?
It says: (Reading)
We would also suggest that much of your business can

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be communicated orally and that the Company's record retention policy be faithfully observed.
Let's take the first half of this sentence, "We also suggest that much of your business be communicated orally."
Does Reynolds attempt to – the marketing department attempt to conduct much of its business orally?
A: I would say that it really depends on the person in charge, not just the head of marketing, but your direct supervisor, what their style is.
Some people like everything written down. You know, even if you have an office two offices away, they like to get a memo on it. And some people like to talk. And – and, so, I would say that it's much more driven by what is the style of the person in charge.
Q: Is that – the marketing – let me back up. As I understand the marketing department, there are – or have been, in the past, several areas within the marketing department and several departments within the marketing department?
A: Yeah. Kind of like subareas within the

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total marketing department, yes.
Q: And frequently one of those has been something like "New Brands"?
A: Sometimes. Not –
Q: Not currently?
A: Not currently, not always.
Q: All right. At other times there's been an "Established Brands"?
A: Sometimes, yes. I mean, the structure has –
Q: Changed?
A: You know, it changes. It again depends upon who's in charge, how they like it broken up, and what their priorities are. So what subareas exist in marketing evolves with whoever's in charge.
Q: Have there been some areas within marketing where a policy of oral communications has been followed?
A: Like, what do you mean? Like only do oral communications?
Q: To the greatest extent possible.
A: No, I would not say I've ever heard that, only do oral communication to the greatest extent possible.
Q: Let's put it in the words of the manual:

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(Reading)
We would also suggest that much of your business be conducted orally.
Have there been subareas within the marketing department where much of the business has been conducted orally?
MR. WILLIAMS: You mean – go ahead.
THE WITNESS: Again, I think it depends. My observation is it depends upon who's in charge.
It – like, if you have a boss who likes to get together and talk, then you talk. If you have a boss who wants everything written down in a memo, you might walk in to him and say, "I think we ought to the do X, Y, Z," and he says, "Write that up in a memo for me." And so you write it up in a memo.
And that's sort of been my experience: It's the style of the person in charge who really drives that, more than anything.

BY MR. SHONKA:

Q: And you've been with Reynolds 16 years now?
A: Sixteen years.
Q: All right. Who are some of the bosses that have – that you've seen who wanted the oral communications?

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A: I think that – it's not a matter of wanting oral communication, it's a matter of their style is to sit down and talk about things. So I want to be careful on that. But I would say I'm more like that; I like to sit down and talk with me people. I think Andy's more like that; he likes to sit down and talk with people.
Q: Andy Schindler?
A: I'm sorry, yes.
Q: How about Larry Hall?
A: I think he was more in the middle. He liked things written down, but he liked things – I mean, he would talk, too. I would say he's kind of a "balanced in the middle" kind of guy.
Q: Orlowsky?
A: Gosh. I didn't work directly for him. So it's kind of an indirect observation.
Q: Who followed Orlowsky? Winebrenner? As vice president of marketing – senior vice president of marketing.
A: I – I'm thinking he was senior vice president of marketing, John. And I don't – I think that was Marty's title; although Marty's title may – could have been executive vice-president.
Q: Marty being Orlowsky.

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A: Yes.
Q: Was – well, the point is, at one time Orlowsky was in charge of marketing.
A: Yes.
Q: And then, after he left, did Winebrenner follow him as head of marketing?
A: I think so. I can't remember if there was someone in between or not, but I think it was him.
Q: How about Winebrenner's work habits? Were they more toward written or –
A: Again, I didn't work directly for him, but I think he liked things in writing. I think. But I didn't work directly for him, so it's ...
Q: You did work with him at some times, though, didn't you?
A: Well, I had – I was in meetings with him and things, obviously, because he was head of marketing; but he was not my direct boss.
Q: How about before he was head of marketing? He did established brands at one time when you were there, wasn't he?
MR. WILLIAMS: I'm sorry. What's the question –

BY MR. SHONKA:

Q: Wasn't Winebrenner in charge of established

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brands while you were a brand manager?
A: You know, I really – I thought his position was head of marketing; maybe it was just head of established brands.
Q: I was talking, before he became head of marketing, wasn't he in charge of established brands?
A: I can't remember.
Q: Was he at one time?
A: I can't remember.
MR. WILLIAMS: She said she doesn't know.
THE WITNESS: Really, honestly, I can't remember. There's just been a lot of people and a lot of different titles.
MR. SHONKA: Okay. All right.
BY MR. SHONKA:
Q: Is it your understanding, then, this manual – this manual, which I referred to as – which is Exhibit 4, was not followed with regard to the suggestion that business be conducted orally?
A: I'm not saying it wasn't followed. All I'm saying is that, in general, I think how much is written down and how much is done orally versus in writing is more driven by the nature of the style of your boss than anything else.

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Q: If you'd go back to Exhibit 5, which is the draft memo.
The other one, that is dated 5/14.
MR. WILLIAMS: Right here.
THE WITNESS: Oh, I'm sorry.
MR. SHONKA: This one over here. Do you have that?
THE WITNESS: Yes.
BY MR. SHONKA:
Q: Okay. We've talked about Tom Rucker briefly. Did you ever work with Mike Johnson, in legal?
A: Yes.
Q: And what was his area?
A: As I recall, primarily sales issues.
Q: What do you mean by "sales issues"?
A: Merchandising contracts, private label contracts, issues with stores.
Q: Okay.
A: That's my recollection. I'm not saying during this whole period I know exactly what his accountabilities were.
Q: So by relationships with stores, do you mean contracts for Point of Sale displays?
A: Yes, that sort of thing.

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Q: Do you understand or have an understanding of what "Public Issues" refers to in connection with Mike Johnson?
A: I'm not really sure what they meant here, no.
Q: Okay. How about Rob Shaw? Did you ever work with him?
A: Yes. But, you know, I don't have much recollection of doing much with him.
Q: Okay. What do you recall about working with him?
A: I think he was – the Rob Shaw I'm thinking about, he was in our New York office. I don't know if it's the same one or not.
Q: Is there a coupon redemption center in New York?
A: No, no. Huh-uh. I think he was with Tobacco and then he moved to New York, I'm thinking, if it's the same person. And I'm not really sure.
Q: And then Guy Blynn?
A: Yes. Guy, obviously.
Q: And Bob Bricket?
MR. WILLIAMS: Rickert.
MR. SHONKA: Rickert.
THE WITNESS: Where are you?

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MR. SHONKA: R-I-C-K-E-R-T.
Item 5, into the second line.
MR. WILLIAMS: And what is the question? What's the question about?
BY MR. SHONKA:
Q: Have you worked with Rob?
A: I don't remember Rickert.
Q: Bob.
A: I don't remember Bob Rickert.
Q: Regarding legal department review of ads, how was that implemented?
A: Well, when we're in the development phase, we're sharing ideas with them and getting their feedback on ideas. So whosever's developing the ideas is sharing it with them. And then, when it gets to where we're actually running the ad, then there's like a formal sign-off by legal that the ad is okay.
Q: All right. Sign-off by legal on ads. How about on promotions?
A: Probably. I just don't remember exactly the forms they used. I mean, you'd have to ask them. But they sign off – they review all the promotions and ads we're doing. Meaning –
Q: Are ads ever run without passing them

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through legal?
A: I don't think so, no.
Q: What about promotions?
A: I don't think so.
Q: What about the most routine promotions? You mentioned earlier something like 25 cent off.
A: Well, it wouldn't be a new promotion, then; it would be something we'd been doing all along. I mean, if it was a new promotion, they'd have to go over it and decide if it's okay.
But, I mean, every day – I mean, you sort of have to understand the process. But every day, in stores all across the country, we're doing discount on product. So, I mean, there's nothing to review, and they couldn't review it anyway. I mean, you know, it's – a salesman walks into a store and puts "25 cents off" on a bunch of packs.
Q: How does the salesman – who authorizes the salesman to go in and start putting in 25 cent –
A: The sales department gives guidelines to the salesmen on what they're allowed to do and what they're not allowed to do with regard to what kind of discount they can offer and how – what value that discount can be and how much quantity that discount can be.

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MR. WILLIAMS: Can we go off the record?
MR. SHONKA: Yeah.
(Discussion off the record.)
BY MR. SHONKA:
Q: What is the Colorado Adoption Project?
A: Colorado Adoption Project?
Q: Yes.
A: I'm not sure.
Q: You've never heard of it?
A: I don't know. It just doesn't ring a bell right now.
Q: How about the initials CAP?
A: CAP. I think I've heard that CAP program. Like it may be a retail program or something. I don't know.
Q: What – what is your understanding of CAP program?
A: I just can't remember. Honestly, I can't remember.
MR. WILLIAMS: Do you have a document you could enlighten us with?
MR. SHONKA: I just wanted to know.
BY MR. SHONKA:
Q: I'd like to get – just clarify my own thinking on a couple of things here regarding lines

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of authority and decision-making in the marketing department.
Now, concentrating on the period between, say, '83 – '82 and when you arrived, and let's go to the beginning of the Joe Camel campaign. We'll set that as, say, December 31, '87, through the birthday celebrations; is that right?
A: Well, the birthday celebration actually ran in 1988. It was – we were developing it in 1987.
Q: Okay. No birthday ads ran in '87?
A: Well, you know, they might have got out a little early, but the idea was for it to hit in 1988. That was the 75th birthday.
Q: When you say they might have gotten out a little bit. If they did, would that have been in test markets?
A: No. If it did, it's just because we put it in a magazine and the magazine was on the newsstand in December or something.
Q: All right. So, during the period of '82 to '87, do you remember who was in charge of the marketing department? We mentioned Orlowsky. You thought maybe Winebrenner?
A: '82 to '87, I'm going to say – I think, when I joined the company – I think this is right,

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Jim Johnston was executive vice-president of marketing and sales. And then, underneath him, I think it was Larry Hall who was head of marketing. Yes, I think that's right.
And then, after Larry, I think it was Marty. And after Marty, maybe John. But then there were EVPs that were different too.
Q: EVPs?
A: Executive vice presidents. So I think they were sort of senior vice presidents. The mar – well, I don't know which Marty was. But Jim Johnston was an executive vice-president and Clyde Fitzgerald was an executive vice-president.
Q: All right.
A: So I don't – I'm not sure, you know, exact titles.
Q: You began as a marketing assistant in 1982?
A: That's right.
Q: And at that time there was an established brand part of the marketing department?
A: Yes.
Q: Okay. And let me see. You began with the Now brand?
A: Yes.
Q: And the Now brand reported to a group

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marketing director; is that correct?
A: It could have been their title then.
Probably was. I just don't remember.
Q: But is it correct that Camel, Now, and
Doral – Doral; which is it?
A: Doral.
Q: Doral. You can see I don't smoke.
That Camel, Now, and Doral were in one group
together?
A: I don't remember, really.
Q: Okay. Were various brands grouped together
in some fashion?
A: Well, you know, over time – it just
depended, you know. You mean for some reason, some
logical reason, were they grouped together? Not to
my knowledge.
Q: Okay. All right. Well, in any event, so we
have established brands –
A: Yes.
Q: – as one part.
A: Uh-huh.
Q: And then another part under marketing would
have been the – or was, at that time, new brands?
A: Yes.
Q: Or new product development? Is that the

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same thing?
A: Could have been. But I think it was called
new brands. Maybe I'm wrong. Maybe it was new
product development.
Q: Did new brands deal with brands that were
not yet in the market or brands that had not yet
become established by some standard?
A: I think usually – I mean, back then – this
is my best recollection. Back then it was a new
brand when it was in development and it was still a
new brand, maybe, for – you know, till it got
established. Like – I don't know. The first year
in market or at least past test market and launch.
I mean, that group hung onto it until it was more of
an established brand.
Q: All right. Then beyond the established
brands, new brands, there was a marketing
informations section or department; is that correct?
It might have been – had several different names,
marketing development, marketing research –
A: Right.
Q: – marketing information?
A: Changed over time.
Q: So all three of those reported to – were
within the marketing umbrella; is that correct?

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A: I believe so.
Q: Now, in addition to that, there is also a –
for lack of a better name, a services department?
A: Marketing services, uh-huh.
Q: Is that it?
A: Yes.
Q: That's actually the name of it?
A: Well, I think it was –
Q: Or close?
A: – but I can't remember for sure. But – it
could have been marketing operations, it could have
been marketing services, but – one of those titles.
Q: And marketing services handled things like
media?
A: Yes.
Q: Special events?
A: Yes. Well, I think the special events group
was part of marketing services, but they could have
been their own department. I don't know. I don't
recall. They've been both.
Q: Promotions?
A: Now, what time period are we talking about?
Just this 1982 when I started, or –
MR. WILLIAMS: He's in nineteen eighty –
all your questions have been when she started, in

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'82?
MR. SHONKA: When you started, yes.
THE WITNESS: Just when I started, in 1982,
what existed?
MR. SHONKA: Yes.
THE WITNESS: Yeah, I think there was a
promotion group when I started in 1982, yes.
BY MR. SHONKA:
Q: Okay. And then – so now we have
established brands, new brands, marketing
information services. And then specialty products,
or something like that?
A: Oh, yeah, that's right, specialty products.
It existed too.
Q: And that is things like chewing tobacco,
roll your own?
A: Yeah. It was the non – I don't know what
their products were; I don't remember. But they
were –
Q: Non-cigarette?
A: It wasn't cigarettes. It's tobacco products
that weren't cigarettes.
Q: Okay. Anything else under the marketing
department, besides those five?
A: I don't remember anything else.

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Q: Now, did that structure – I know names changed and all that, but did that structure, established brands, new brands, marketing information, marketing services, and specialty products, did that structure more or less stay intact – well, okay. Did it stay intact during the period between 1982 and 1988?

A: There were changes over time. And I don't know exactly what years they occurred, but the structure was a constant evolving thing –

Q: Okay.

A: – depending upon who was in charge and how they wanted to organize it and which departments they wanted to have. So I can't tell you at any given point in time exactly what the departments were, because they did change over time. Sometimes we had a new brand group; sometimes we didn't. Sometimes special events was part of marketing; sometimes it wasn't. Sometimes there were – analysis was separate from marketing research; sometimes it wasn't.

I mean, it just depended on – because, you know, as we've talked about, there's been a lot of different people in charge, and they would come in and sort of set up the structure, make modifications

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to what they wanted. Sometimes there was a promotions development group; sometimes there wasn't. Sometimes – you know what I mean? It just ...

Q: All right. What I'm trying to understand is: How did all these pieces fit together in terms of advertising particular brands of cigarettes?

A: How did they fit together?

Q: Or let me change that. How did they fit together in terms of marketing particular brands of cigarettes?

A: Well, I'll take a shot at it, and I'm not sure this is what you're asking. But how they sort of fit together is at an operation kind of level. At a get-the-work-done kind of level, I'm talking about, not a high level.

Q: Yes.

A: There's a brand group. And let's say they're an established brands or new brands or – if new brands didn't exist, just established brands. But it's a brand group; let's say the Camel team. They're in charge of putting together a plan for Camel: The strategies, the objectives, the programs we want to run behind Camel. And then, all the other departments are charged with helping get that

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done.

So the promotion group helps – if there was a promotion group, depending on the time period, they might help the brand group execute those promotions. The information department would help the brand group do research on that brand. The marketing services department would help, you know, select the media or help with the promotions.

You know, so at the core of it is the brand group. They're responsible for the brand, essentially, what's planned, what they want to get done. And then everybody else sort of surrounds them and helps gets it – helps get it done.

Q: Is it a hub and spokes analogy –

MR. WILLIAMS: I object, vague.

THE WITNESS: Yeah, I think it is. Although – well, let me just say this, that it just depends on who's looking at it. You know, if you're in the brand group, you might see that analogy. If you're in another group, you might not think that's an appropriate analogy.

MR. WILLIAMS: He's with the FTC; how would they see it?

THE WITNESS: I don't know.

BY MR. SHONKA:

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Q: You saw it as hub and spokes?

A: I think, in general, that's right. I mean, in general. If you're saying there's one group who sort of is responsible for developing the direction and it moves out from there, that's accurate.

Q: All right. Now, how are – surely there must be conflicts that arise in a situation like that, where Camel wants to do one thing and Winston wants to do something else. Is that correct?

A: Sure.

Q: How are those conflicts resolved?

A: Well, normally – I can't say it's always the same, but let me give you sort of what I would call as representative of how they're resolved.

Let's say Camel wants something and Winston wants it too. Usually the head of Winston and the head of Camel would talk. And if they can't work it out, then they take it to the next level, which, depending on what point in time we're talking about, the titles and levels change.

But whatever the next level is, if they can't resolve it, they take it to the next level. If those two people can't resolve it, they take it to the next level, which might be the head of marketing. If those two – if that person can't

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decide, he might go and talk to about it the EVP of marketing and sales, if that position existed, or the head of the company.

I mean, I would say most conflicts are resolved before they get all the way to the end point.

Q: And the end point being the president and CEO?

A: And CEO, right, the ultimate decision-maker.

Q: In terms of decisions to run new ad campaigns, what level are those – were those decisions made in the period between '82 and '87?

A: I would say that our president and CEO would – and if there, at times, was a president and CEO, I would say it involved the CEO.

Q: How about new executions on an existing campaign? At what level?

A: Well, I would say, in general, definitely the head of marketing. Probably the head of marketing and sales. Not necessarily always the president or president and CEO, but sometimes. You know, depending on how important the brand is and how different they are than the previous executions and all that.

Q: All right. So – but we're talking about

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decisions made at the head of – at the level of head of marketing?

A: From 1982 to 1988 we're talking about, right?

Q: Yes.

A: I would say, in general, although I wasn't that – you know, I wasn't up there as head of marketing. So I'm not positive that the head of marketing didn't get – go show everything to the CEO. It was just my perception. And it could be because I was lower in the organization. But the head of marketing was making the decisions.

Q: Sure.

A: But, you know, I can't – I can't be sure of that.

Q: Now, you've mentioned the head of marketing and you've also mentioned a head of marketing and sales.

A: Right.

Q: Was there always a person who had respons – ultimate responsibility for both marketing and sales who was yet below the level of the president and CEO?

A: No. Sometimes that existed; sometimes it didn't.

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Q: Did it exist in the period between '82 and '87?

A: Like I said, I think, when I joined the company, Jim Johnston was EVP, executive vice-president, of marketing and sales. And I think that Clyde Fitzgerald followed him and was executive vice-president of marketing and sales.

Q: Let's go in a little closer to the period 1987/'88.

A: Uh-huh.

Q: Did the position executive vice president of marketing and sales exist at that time?

A: '87/'88? I think it did. I'm not positive. But I think Clyde Fitzgerald was executive vice-president of marketing and sales.

Q: Okay. In terms of priorities with marketing a brand, how are – were marketing decisions communicated to, say, the promotions people – the services people, from brand?

A: Well, we pretty much talked every day. I mean, you know, we would – I mean, we worked together all the time. So we would talk to each other.

Q: Let's – well, let's take this as a question. If –

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MR. WILLIAMS: We've been taking everything you've said as a question.

MR. SHONKA: Good point.

BY MR. SHONKA:

Q: If somebody in established brands wanted research done on the brand, I take it – and the established brands – in the research department, information department, there was a group that dealt with established brands research; is that correct?

A: Right. In general, there was research people assigned to each brand.

Q: Okay. So you had research people for the established brands, research people for the new brands?

A: Well, in general. Depends upon the time period and exactly how they had it organized, but in general you have research people assigned to each brand. So you would have one or more people who are in charge of helping with Camel research, one or more people in charge of helping with Winston research, one or more people in charge of helping with Salem research. You know, they're assigned by brand.

Q: All right. If the marketing manager for Camel wanted research on the Camel brand, the

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request – did the request go directly from the Camel brand manager to the research people in – responsible for the brand research?

A: Yes.

Q: It did not go up the chain and then back down the chain?

A: Not usually. But, again, you can't make a blanket statement. Because, you know, the head of marketing might decide there's something he wants to know. So he goes to the head of research and says, "I want this research," and then it comes down to both people. That could happen.

In general though, I would say the head of Camel goes to the Camel person assigned to research and says, "Here's what I'd like done." Or the head of the Camel research person goes to the head of the brand and says, "I think you ought to be doing this."

Q: Okay.

Say on – in terms of coordinating things, as an example, say Camel wants to put its brand at registers, at point of sale. Say the people in the sales department, is it, wanted to do Winston instead of Camel. Did conflicts like that arise?

A: Yes.

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Q: And how were those resolved?

MR. WILLIAMS: David, wait. She's already testified as to how those conflicts would be resolved. That's how we got into this whole thing in the beginning.

MR. SHONKA: It was a broader question, then.

MR. WILLIAMS: I think it's exactly the same question. But go ahead and answer it again.

THE WITNESS: You know, what would happen is, the people responsible at that level, like the – there would be brand people responsible, Winston and Camel, they try and work it out first. If they couldn't work it out, they'd go up to the next level and the next level, until either somebody either made a decision or kept bumping it up.

BY MR. SHONKA:

Q: Okay.

You mentioned that the research department had – did research – had people assigned to specific brands. What about research that was not brand specific?

A: Again, it would depend upon the point in time. But there have been different groups in the

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marketing research group that just did general stuff, general research issues, segmentation of the marketplace or strategic issues, that sort of thing, that weren't assigned to brands.

Q: And who would – who would make the request for that type of – for research not directed to a specific brand? I take it, it didn't come from the brand managers.

A: No.

It wouldn't – it would – I would say generally – you know, again, during this whole time period we're talking about, sometimes I'm in a lower level, so I might have a misperception of exactly how it was done.

Q: Let's focus on periods where you have a firm perception, if you don't mind. And give me the date.

A: Well, I would say, by the time I got to a senior brand manager kind of level, then I would have a better perception of how that was done, because I would be a little higher up.

MR. WILLIAMS: 1987.

THE WITNESS: 1987.

BY MR. SHONKA:

Q: All right. So in 1987.

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A: I would say that, in general, from that point on, I think it was usually a discussion between, like, the head of marketing or the head of marketing and sales. Or, I think, also how it happened is the head of marketing research might decide he wants something done. I mean, it's his responsibility, being in that position for the company, to think of what needs to be done for the company, and he might decide it on his own.

So it would be sort of some key management and marketing. It could also be the head of the company; the head of the company might say I want something done. But, in general, that group was – it wasn't brand specific issues, so somebody else was saying there's a bigger issue I want you to look at.

Q: So it would come from a higher level?

A: A higher level or the head of research himself. Or the research group themselves would decide, Gee, we think we ought to look at this.

Q: At some time in there was Larry Hall in charge of the marketing information?

A: Yes.

Q: Do you remember – was he in charge of it in 1984, do you know?

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A: 1984?
Q: Yes.
A: 1984.
Q: This would put you when you were the assistant brand manager for the More brand.
A: He could have been. It sounds like he might have, but I'm not positive.
Q: And was he there at the time that you became the senior brand manager for Camel in '87?
MR. WILLIAMS: When you say "was he there" –
MR. SHONKA: Was he in charge of the marketing information/marketing research?
THE WITNESS: I think he was. I'm not positive on that, though. I don't know exactly when Ernie Fackelman took over as head of marketing research. I don't know exactly when the transition was, but I think it was Larry Hall.
But, you know, I'm – people have changed over time. I'm not sure.

BY MR. SHONKA:

Q: Okay. Did the marketing research unit play a – in your view as a marketing manager in '87, did they play a critical role in the marketing?
MR. WILLIAMS: Wait. Is that your question?

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Let me just object that it's vague. Define "critical," please.

BY MR. SHONKA:

Q: Can you answer that?
A: Well, I guess my answer would be that the marketing research people helped with the marketing research on the brand. So if you're talking about the specific marketing research person assigned to a brand, I would say they were important in helping us understand adult smokers.
Q: You wouldn't consider them expendable, would you?
A: Well, you know, again, it depends on what you're talking about. I would say that marketing research is not expendable, that marketing research is very important to us. But there are companies who have it as an entirely outside function. There are companies who have it as an inside function.
I mean, so I would say that marketing research, research on adult smokers, is not expendable; you need to do research.
Now, who does it? Well, that's – you know, there are many ways that you can do that.
Q: Are you aware of any tobacco company that outsources its marketing research?

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A: I don't really know. I have no idea. I don't know how they're structured.
Q: You mentioned – as I followed your discussion on what the marketing – the brand managers do, is it fair to say that it falls into two categories, planning and execution?
A: Are we talking about 1982 to 1987?
Q: Let's move into '84 to '88.
A: '84 to '88?
Q: Yes.
A: So during 1984 to '88 – the question is? I'm sorry.
Q: The market – the brand managers, is it fair to say that they were responsible for planning and execution?
A: I would say this. That depends upon what you're talking about.
I know that sounds – I know that sounds hard, but it depends upon how you define "execution" and what you mean by "responsible for execution." Because – for example, let's say a buy one/get one free promotion is in a store. Well, the field sales force executes that. So you couldn't say, Well, gee, the brand manager's responsible for execution; he or she isn't out there executing it. But, in

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general, I think oversight of execution, you know, making sure it gets done. I mean, if that buy one/get one free didn't get executed, people would be asking the brand manager, "Why not?"
Q: What about planning?
MR. WILLIAMS: What do you mean, "What about planning"?

BY MR. SHONKA:

Q: I had said there were two areas, planning and execution.
MR. WILLIAMS: Right. Just –

BY MR. SHONKA:

Q: I believe the answer was execution. And the question is: Was the brand manager responsible for planning?
A: Again, it would depend upon what kind of planning you're talking about. The brand manager would be responsible for coming up with the plan for the brand; you know, strategies, objectives, programs. But that has to be reviewed by that person's boss, the head of marketing, probably the head of marketing and sales.
So, yes, they are responsible for the plan for the brand; but approval of that plan, you know – so it depends upon exactly what you mean.

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Their job is planning and execution, but a lot of people are involved with that. You see what I mean?
Q: Sure. But then the actual business plan itself for a brand is determined by levels higher than the brand manager level?
A: No. The brand manager would actually create the brand plan for the brand. Now, the approval of that plan –
Q: Yes.
A: – or modifications to it from higher-ups could happen.
Q: Yes.
A: You know, you go and take it and you present it to your next boss, and your next boss says, "I got a problem with X, Y, Z." And you go back and work on it some more and then re-present it.
So the brand manager, at this point in time, would be responsible for developing it. But who actually had approval authority to say, "Okay," or, "You got to present it," depending on what piece of it it is, you got to present it up the line.
Q: How about the final plan? Who had final approval on the final plan?
A: Well, my best recollection in 1984 to 1987 is, at a minimum, we presented plans to the head of

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marketing. But I also think it was the head of marketing and sales. And during some years we presented it to the president and/or CEO.
Q: Now, did there come a time when all the planning was consolidated – for all brands was consolidated in a particular place –
A: No.
Q: – in the marketing department?
A: No. There's general – there's been a time when there was general planning done. You know, like overall plans for the company. But in terms of planning for a specific brand and what a specific brand does, it's the head of that brand.
Q: All right.
MR. SHONKA: John, you're looking at your watch again.
MR. WILLIAMS: Same comment.
MR. SHONKA: Which is?
MR. WILLIAMS: Just trying to figure out how much fun we've had this morning. Do you want to take a break?
MR. SHONKA: Well, it is 12:30. Do you want to go off the record?
(Discussion off the record.)
(Recess taken from 12:30 p.m. to 1:20 p.m.)

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BY MR. SHONKA:
Q: Good afternoon, Ms. Beasley.
A: Good afternoon.
Q: Did you have a good lunch?
A: I did, thank you.
Q: Ready to go?
A: I am.
Q: When we left off, we were talking about planning and marketing plans. What resources does a brand manager use in developing a marketing plan?
A: What resources? Do you mean like the people or –
Q: Materials. Information.
A: Information. Okay.
Well, you know, you probably – just depends. But let's say – I know it, but it does.
Let's say it's an established brand that's been around a while. You might look at what information there is about what programs have worked in the past, you know, if there's some promotion that did really well in the past. You definitely look at what your competition has been doing and how effective that has been, recent work on the adult smokers, your – the adult smokers that choose your brand as well as competitive brands that you're

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trying to get people to switch from.
Q: Is that the segmentation studies?
A: No. I wasn't really meaning the segmentation studies; that's brand specific I was talking about. But it could be used as a segmentation study. That's not necessarily true; sometimes. But if there was a segmentation study, you might use that.
Q: Okay.
A: You know, there would be product information: How your product performs versus the competition. You know, sales analysis: How your brand performed over the last year.
Q: Anything else?
A: Well, I'm sure there are other things. I'm trying to think of them.
So, you know, consumer research, sales analysis, competitive information, product information. I mean, just what you know about your brand.
Q: And where do you collect the information from?
A: Well, you will have been doing research over the year. You know, like you might have – you've done research on a program you did, so you have the

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results of that. Or you did focus groups on something you're doing and you know what they said about it. Or you did a product test and you tested your product versus the competition, so you have the results of that. You know, all the research you've done.

Q: When you say competition, what do you mean? How do you determine what the competition is for a brand?

A: Well, it just – usually you determine the competition by who you think you have a chance of switching to the brand. There are certain competitive smokers you think you have a chance of switching to the brand because your brand has something you think you can convince them is better than the other brand. So, you know, like for Winston you choose Marlboro because you think you can switch Marlboro smokers to Winston.

Q: Who – how – how do you develop the thinking that says that you can switch your Camel smokers – or Winston smokers to Marlboro – or Marlboro to Winston? I'm sorry.

A: Well, a couple different ways. You might look at: Have they switched in the past? When you go and talk to Marlboro smokers: Will they consider

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Winston or not?

Q: Okay. Do the segmentation studies play in there?

A: They can; but I would say less so than the brand-specific research.

Q: What role do the segmentation studies play?

A: In general, they're usually – you know, there's been many different ones. But, in general, they give you an alternative framework, a framework for the whole marketplace. Here's a way, if you wanted to divide up the whole – all the adult smokers or all the brands into different pieces, how you might do it.

And I mean, it can be based on many different things. It can be based on which brands interact with each other the most, which – you know, it can be based on attitudes. It can be based on imagery. It can be based on how close the products are. I mean, there are all kinds of different segmentations.

It's more of a background framework kind of thing that's back here.

Q: Well, Reynolds has, throughout the '80s, undertaken – or did undertake biannual segmentation studies, did it not?

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A: I wouldn't say – I don't know about biannual, no. We've done many different segmentation studies.

Q: Well, there's one in '81. Are you aware of that?

A: I wasn't in the company in '81, but ...

Q: Did you see it in '82?

MR. WILLIAMS: Just so – and I'm sure you're on the same wavelength. Can you define what you mean by "segmentation studies." Just define –

BY MR. SHONKA:

Q: Do you have an understanding of what a segmentation study is?

A: Well, I – I sort of do. I mean, I'm not sure if I'm meaning the same thing as you. What did you mean when you asked –

Q: Well, tell me what you understand by it.

A: Well, my thought on segmentation was just a way of segmenting the marketplace.

Q: What about segmentation studies? Do you understand what they are?

A: Yeah. It would be a way of segmenting the marketplace.

Q: Do you understand if Reynolds undertook formal segmentation studies during the '80s?

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A: Yes.

Q: They did?

A: Yes.

Q: Okay. And what – how frequently did they do that?

A: I couldn't tell you. But biannual sounds like – I don't know if we –

Q: Reasonable?

A: No. I don't know if it was or not. I don't know if we did it that often or not.

Q: Well, they did one in '81.

A: Yes –

MR. WILLIAMS: She didn't know.

MR. SHONKA: You don't know.

BY MR. SHONKA:

Q: You never saw it?

A: Well, I don't know if I saw it or not. If you showed it to me, I could tell you if I saw it or not. I don't know if Reynolds did one in '81 or not.

Q: All right. '83?

THE WITNESS: Again, I don't know. If you showed it to me, I could tell you if I'd seen it or not.

BY MR. SHONKA:

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Q: '85?
A: I don't know. Again, if you showed it to me, I could tell you if I'd seen it or not.
Q: As a brand manager if there had been a segmentation study would you have seen it?
A: As a brand manager, probably.
Q: Does Reynolds consider each brand to be a self-contained profit center?
A: Well, I would say "self-contained profit center" is probably a little extreme. I would say that we consider them a separate – you know, it is a separate business: Camel's different than Winston. But they share a lot of resources.
So "self-contained," to me, suggests something like Nabisco, where – like, for example, the manufacturing facility is completely different for one product versus another. And that isn't true at Reynolds. The brands share a lot of resources. So it just depends on your definition of "self-contained."
Q: Okay. Does each brand have its own goals each year?
A: Yes.
Q: Does each one have its own marketing objectives?

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A: Yes.
Q: Who decides what the goals for each brand are?
A: It's an iterate process and it depends on the year. Sometimes they come – they start at the top, and then they'll go to the brand, and then the brand gives their feedback back on whether they agree with it or not.
Sometimes it's bottoms up and the brand will first offer up what they think the goals are, and then it'll go to the top. And, you know, it's an iterate process of going back and forth until there is agreement.
Q: And who has the final say?
A: The president and CEO.
Q: And the president/CEO ultimately reviews and approves each plan each year?
A: No. I wouldn't – you know, again, it depends upon the year and the person and the degree to which you say "approves" the plan.
I mean, I would say, to my knowledge, I believe that the president and CEO would have reviewed the key goals for each brand and sort of knows the key activities. But did we actually have formal plan presentations to the CEO every year?

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Not necessarily.
Q: Are there criteria for deciding when a presentation will be made to the CEO?
A: Well, of course it would depend on, you know, who has that job. Because they'll set criteria on things they want to see and don't want to see.
Q: You said earlier, though, that every marketing campaign is ultimately approved by the president and CEO?
A: I would say – in my experience, I would say that's pretty much true, that any new advertising campaign – remember, you asked me about executions and you asked me about new campaigns. They were different.
Q: Yes.
A: But, like, a new campaign for a brand, I would say that the – in my experience, the president and/or president/CEO is involved.
Q: What distinguishes – well, let me back up. Is there a difference between a marketing – between a business plan and a strategic plan?
A: Well, it depends upon who you're talking to. It could be; it could not be. It depends upon at what point in the history of the company you are.

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A strategic plan normally covers a number of years, whereas an annual plan covers one year. A business plan could be a strategic plan, or it could be an annual plan; it's kind of a generic term.
Q: Okay. Let me – strategic plan: Number of years.
A: Yes.
Q: Business plan –
A: Well, depending upon who you're talking to, they might consider the strategic plan a business plan. You also might consider an annual plan a business plan.
Q: You have an annual plan and you have a business plan. The annual plan, as its name implies, is for one year?
A: One year.
There's an annual plan that's for one year and there's a strategic plan that's for several years. And some people would probably apply the term "business plan" to both of those. It probably depends on who's using it.
Q: All right. Now, if a document has a label "Business Plan" on the front of it, what does that make it?
A: You –

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MR. WILLIAMS: Wait, wait, wait. I'm sorry. I'm going to object. If you want to know specifically what her view of a document would be, show her the document. Because we're just into –

MR. SHONKA: No. I want an understanding –

MR. WILLIAMS: I understand. We're into deep generalities here.

BY MR. SHONKA:

Q: What are business plans?

A: Again, really, it would be totally dependent on the person you're talking to. That is kind of a generic term that could be interpreted many different ways.

Q: How do you interpret "business plan"?

A: I don't, really. It's – I think it's fair to say you might call an annual plan a business plan; you might call a strategic plan a business plan. I mean, it's kind of a generic term, the word "business plan," meaning it's a plan for some business. So it doesn't – it doesn't have any real specific meaning. "Annual Plan" has specific meaning to me; "strategic plan" has specific meaning, but "business plan" does not.

Q: Have you ever seen a document labeled "Business Plan"?

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A: Oh, gosh, I probably have. I mean, I can't think of a specific instance, but I probably have. I mean, it's not like a foreign term to me.

Q: How about "Work Plan"?

A: Yes. Work plan, definitely.

Q: What is a work plan?

A: Well, normally how a work plan is used is it's the set of activities that our sales force is going to implement.

Q: So a work plan comes out of the sales department?

A: No.

Q: Where does it –

MR. WILLIAMS: She already said no, and I was going to –

THE WITNESS: I'm sorry.

MR. WILLIAMS: No, that's fine. That's fine.

BY MR. SHONKA:

Q: Where does the work plan –

A: The work plan is normally a collaborative effort between marketing and sales.

Q: Between marketing and sales. All right. What about the strategic plan? You say that covers a number of years. Who makes – who

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participates in the strategic plan?

A: Who participates?

Q: Yes. You said the work plan is a collaborative effort between marketing and sales.

A: Right.

Q: Does anyone participate in making – do various departments contribute to the strategic plan?

A: I think, normally, again, you know – and it probably varies some by year, but this is my perception, that the strategic plan would involve pretty much the top management of the company, the head of each department, because the strategic plan ultimately covers the plans for the whole company. You know, whether it's manufacturing or information resources or whatever, it's the company's plan.

Q: Okay. And the annual plan is strictly a marketing brand manager document?

A: No. I would – each department probably has their own annual plan. But the annual plan in marketing would cover that year and the activities we've got planned for that year.

But, I mean, probably every department, I think, would have their own annual plan.

Q: That leaves only the mysterious business

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plan.

MR. WILLIAMS: Which remains mysterious, unless you've got some document you want to show her.

MR. SHONKA: Well ...

BY MR. SHONKA:

Q: When the tobacco company itself puts together a plan for a year – let me back up.

Does the marketing department put together a department-wide plan each year?

A: Well, we are part of the strategic plan. And then there are annual plans, and we are definitely part of the annual plans also.

Q: Okay. But you said the annual plan is prepared by each department?

A: Yeah. Each department would have its own annual plan.

Q: And I'm asking if the company has some sort of a –

A: Yes, we have an annual operating plan.

Q: Operating plan.

A: (Witness nods head.)

Q: And the operating plan applies to the entire tobacco company?

A: It could. It doesn't – I know it, but it

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just depends upon the time period and how the term was used.

Sometimes, you know, we'll call it – like if it's – let's say I have – just for the sake of argument, a hypothetical, I have Winston. And I'll say, "Well, this is my operating plan for Winston." Now, there may be a much higher level plan, which is the operating plan for the company, but they both might carry the term "operating plan."

So there's no way that you can discretely define that: Gee, that's at this level.

Q: What would determine it is the content of the plan? If it covers all the brands, then it's for the company? If it covers one brand, then it's for the brand? Is that it?

A: Could be. It just is the context of the document. It might – it might cover the whole company, it might cover just marketing, it might cover all the brands, it might cover one brand. You'd have to see the context it was used in to know.

Q: Okay. Let's go back to the idea of the annual plan and the business plan. You think – your impression is that sometimes that's the same thing?

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A: I think that some people might use them interchangeably, but I don't know that. I mean, if I saw the document, I could tell you. But certainly I've heard the term "business plan" used.

Q: But if a business plan addresses plans for only one brand, then it is likely a brand level document. Is that a fair statement?

MR. WILLIAMS: David, look, I've been very patient. You're going someplace with the term "business plan." She says she doesn't know what you're referring to. If you have the document, let's show it to her. But we're just guessing and speculating now on what might be a business plan, and you're trying to say: If the business plan has this, then it might be that.

I don't understand what the purpose is, I must say. If you've got a purpose, why don't you just ask her a direct question about a direct document?

BY MR. SHONKA:

Q: Can you answer my question?

A: What was it?

MR. SHONKA: Could you read if back, please.

(Whereupon, the question was read back by the court reporter as follows:

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But if a business plan addresses plans for only one brand, then it is likely a brand level document? Is that a fair statement?

MR. WILLIAMS: It was also hypothetical.

THE WITNESS: That was your question?

MR. WILLIAMS: That was the question.

MR. SHONKA: Yes.

THE WITNESS: I'm trying to follow.

It could – I mean, it could be. I just – I'd have to see it to tell you, honestly. Because it's a pretty generic term.

BY MR. SHONKA:

Q: I take it that Winston does not prepare plans that – things they call "business plans" that discuss what Camel is going to do for a particular year?

A: Not really. I wouldn't think that would be – I mean, would the Winston brand –

Q: Yes.

A: – be writing a plan for Camel?

Q: Right.

A: No.

Q: That does not happen?

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A: I haven't seen that happen.

Q: And would – or did, in your experience, senior management ever write a plan for a brand and impose it on the brand?

A: Again, it's an iterate process. I can't say I've ever literally seen management write the plan and impose it on a brand. I would say it's an iterate process, back and forth.

Q: And – so senior management would participate – or did, in your experience, participate in the formation of brand plans?

A: Yeah. It's kind of like I told you earlier. It would be like the brand group might work on it – you know, some direction might come top down; sometimes it starts bottoms up. But once you have a plan together, however – whoever you took the first plan to, once you have a plan together, then you start reviewing it up the levels, and they make changes. And then you modify and you go back. And when that level is happy, then you go to the next level, and make changes and go back. So are some things imposed? Sure they are.

Q: All right. Strategic plans, even though they cover a number of years, are they prepared annually?

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A: I would say yes.
Q: What's the time frame for completing a strategic plan?
A: Depends upon when New York wants it. It can change. But generally I would say it's summer/fall.
Q: Summer/fall? Meaning September, at the latest?
A: I would say generally. It can change. But I would say probably from June till November.
Q: And the strategic plans go to RJR Nabisco?
A: In my experience, yes.
Q: Always, in your experience?
A: Well, I haven't always been at a level to know. But in my experience, when I was at a level to know, I would say they have.
Q: All right. What's the time frame for planning – for completing the annual plans for each brand?
A: The annual plan, I would say, normally – now, sometimes it can start as early as May. But I would say, normally, it's more like a July to November sort of thing. Or maybe even December.
You know, really, you're working on it on an ongoing basis. It isn't like you put a plan in place and that's it. You know, 'cause competition

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does something different, you find out something new, they changed their program. So it isn't like a – a plan is like a living document. It changes continuously.
Q: Well, you make adjustments to the market, is what you're saying?
A: You are constant – continuously – you either – the competition does something different, something you thought was going to work different; there's other company demands. You know, just a zillion things can change. And pretty much a plan is a living thing; it's evolving all the time.
Q: All right. But let's talk about the written plan. Is there a time when you stop writing the plan and then just adjust?
A: I would say usually by the end of the year you're – you're still adjusting, but there probably was a written plan and –
Q: Now, by the end of the year –
A: The year before that year's plan.
Q: Before that year.
A: You know, so like December for the following year.
Q: So a 1988 plan would be completed – the written part of it would be completed – I said a

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1988 plan, right? A 1988 plan would have been completed, the written part at least, at the end of 1977?
MR. WILLIAMS: Whoa, whoa, whoa.
THE WITNESS: '87.
MR. SHONKA: '87, I'm sorry. I'm about 10 years off.
THE WITNESS: No. I guess what I could say is there would be a – a document that was the plan for that year. Now, it could be completely changed three months later.

BY MR. SHONKA:

Q: Sure, as the year progresses.
A: Or even a month later. It depends on what happens.
I mean, there can be dramatic things that happen. So at some point in time you have a plan, but it never really – I can't think of any time where you fully execute the plan you started with. It just doesn't happen.
Q: Sure. But I'm distinguishing between executing the plan and writing the plan. And in terms of writing the plan, it is – the plan is written by the end of the year?
A: Usually.

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Q: Okay.
A: I mean, there are exceptions.
Q: Whether or not it is executed is another question.
A: Yeah. There are exceptions, but I would say "usually."
Q: And the operating plan for the company –
A: That's where –
Q: – for the tobacco company, what's the time frame for completing that?
A: I thought you just asked me that.
Q: Oh, I'm sorry. I was talking about the annual plans for the brands.
A: Well, in this case, I'm sort of using operating plan and annual plan sort of as the same thing.
Q: Okay. At the brand level, though.
A: At the brand level.
Q: Completed by the end of the year?
A: Yes.
Q: All right. Now, for the – you mentioned earlier, if I understood you correctly, that there is a broader operating plan for the entire tobacco company?
A: I think the entire company would probably

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have kind of a rolled up annual plan or operating plan also.
Q: And when would that come together?
A: Well, again, by the end of the year, I would say.
Q: Okay. Tactical plan. I overlooked that one.
A: A tactical plan, normally – you know, there's no perfect definition of tactical plan; there's no permanent definition. But, in general, I would say a tactical plan is something that has far – many more specifics.
Q: Okay. That – does the tactical plan address like, say, the marketing mix for the brand?
A: It could.
Q: So it – I'm sorry, finish your answer.
A: Tactical plan can mean many different things. It can mean the tactics for a specific program. It can mean tactics for many programs. I mean, you could have a tactical plan for a program unrelated to the annual plan or the operating plan or the strategic plan; it's just a tactical plan for that program.
Q: Who executes – who plans tactical plans? Who writes tactical plans?

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A: Again, it could be – nearly anybody could write a tactical plan. I mean, all a tactical plan is, is here are the specifics for this program. So whosever's working on the program could write that.
Q: Can a tactical plan span more than one year?
A: It would be kind of odd for it to, but I guess it could.
Q: Does the name John Reynolds mean anything to you?
A: John Reynolds. Sounds familiar, but I can't tell you.
Q: Dr. John Reynolds?
A: I don't know. It might be a guy in the R & D department. I don't know.
Q: Does R & D have anything to do with – is that separate from marketing?
A: A separate department?
Q: Yes.
A: Yes.
Q: Just to round this out, we have sales department – we have a sales part, a marketing, R & D, three different aspects of Reynolds or divisions of? What's the –
A: Departments.
Q: Departments. What are the other major ...

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A: Departments?
Q: Yes.
A: Okay.
Q: At that level: Sales, marketing, R & D.
A: I would say operations, which has changed over time what operations is. It could just be manufacturing or it also might include leaf purchase and information resources. Sometimes they're separate departments; sometimes they're part of the overall operations departments.
Human Resources, legal. Let's see. We said R & D, right? You put that down, right?
Q: Yes. Yes.
A: We have a packaging division. Oh, finance.
Q: Finance.
A: External relations. Let's see. I think that's the key ones.
Q: Okay. How does packaging differ from operations?
A: Packaging is actually a separate plant that produces packaging. They actually make –
Q: And by that you mean cartons and –
A: Well –
Q: – boxes?
A: – they print, like, the labels that are on

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the packs and they have outside customers that are on us too. They're like a separate group.
Q: Is it a subsidiary?
A: It may be. I don't know. I don't know.
Q: What's the name of it?
A: I think it's just the RJR Packaging Division, but ...
Q: Let's focus for a while on the period when you were with – let me back up.
Do you have Exhibit 2 or 3 in front of you? Either one will do.
A: This says 3.
Q: All right, we'll both look at 3.
I'd like to focus on the period when you were with the Now, Salem, and More brands, which cover '82 to – your entry in July of '82 through October of '84.
During that period, Reynolds undertook several initiatives regarding 18 to 20 year olds. Are you aware of that?
A: Eighteen to 20 year olds?
Q: Yes.
A: Younger adult smokers, 18 to 24 year olds, First Usual Brand Younger Adult Smokers; but I don't know about specifically just 18 to 20.

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Q: All right. The 18 to 20 – let's deal with 18 to 20 smokers.

During this period, when you were with Now, Salem, and More, Reynolds undertook several initiatives regarding 18 to 20 year old smokers?

A: No. Again –

MR. WILLIAMS: Okay. She's doing a better job than I can here, but I want to object to the characterization. Maybe you didn't listen to her. You asked that question before. She already said she was unaware of that; she was aware of 18 to 24s and First Usual Brand Younger Adult Smokers. Then you came back with precisely the same question. Listen to her answer.

MR. SHONKA: Go ahead and answer.

THE WITNESS: Go ahead again.

Again, my recollection is there was work going on on First Usual Brand Younger Adult Smokers, and that – and 18 to 24 adult smokers. And sometimes, this is my recollection, some people would define First Usual Brand Younger Adult Smokers as 18 to 20; some people would define them as 18 to 24.

But I don't remember, like, specific initiatives about 18 to 20 in this time period. I

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remember First Usual Brand Younger Adult Smokers, which sometimes was defined as 18 to 20, sometimes defined as 18 to 24.

BY MR. SHONKA:

Q: Do you have any understanding regarding the times when 18 to 20s were broken up from 18 to 24s?

A: I think, just in general, sometimes we used 18 to 20, sometimes we used 18 to 24.

Q: Well, why did you use 18 to 20s when you did?

A: I think that – you know, I'm not – really, I can't recall. I just remember that sometimes we would use 18 to 20, sometimes we'd use 18 to 24. I think when there was – I don't know, but it's been used both ways. I'm not really sure.

Q: Well, did Reynolds ever put special emphasis on 18 to 20s?

A: Again, as I recall, there was a lot of research being done on young adult smokers, specifically First Usual Brand Young Adult Smokers, which were sometimes defined as 18 to 20, sometimes defined as 18 to 24.

Q: How about separate statistical data tabulations for 18 to 20s versus 21 to 24s?

A: I think – again, recollection – this time

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period?

Q: Yes.

A: I think sometimes it was 18 to 20 and sometimes it was 18 to 24. That's my recollection.

Q: Well, let me see. When you were with the Salem brand –

A: Uh-huh.

Q: – Salem undertook a breakout of 18 and 19 year olds, did it not?

A: Eighteen and 19 year olds?

Q: Yes.

A: I don't remember that.

Q: Do you have any – you had no participation in that at all?

A: I said I –

MR. WILLIAMS: No, no, no, no, no. That's not what she said. She said she doesn't remember.

THE WITNESS: I don't remember that.

MR. SHONKA: Excuse me a minute.

BY MR. SHONKA:

Q: Let me backtrack on that. Are you aware – not when you were with Salem, but of Reynolds breaking out 18 to 20 year olds for statistical tabulations in the – in this time period when you were with Now, Salem, and More?

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A: Again, same answer. I'm aware – I remember research being done on First Usual Brand Younger Adult Smokers and that sometimes being defined as 18 to 20 and sometimes being defined as 18 to 24.

MR. SHONKA: I'll ask the court reporter to mark as Beasley Exhibit 6 a document that has previously been marked as CX-883. It is a document that is dated December 18, 1984. It is labeled "New Brands and Strategic Research Report," captioned "1983 Profile and Usual Brand Share Among Younger Adults, Final Report."

(Beasley Deposition Exhibit No. 6 was marked for identification.)

BY MR. SHONKA:

Q: I'd ask the witness to take a look at the exhibit for a few moments.

(Witness reviews document.)

A: Do you want me to read the whole thing? Or what would you like me to do?

Q: Can you tell me if you've seen this before, Exhibit 6?

MR. WILLIAMS: David, let me just interpose an objection here. You've asked her if she was aware that there was segmentation between 18 to 20, 21 to 24 on the Salem brand. She said she didn't

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recall. Now you put this document in – let me finish. You put this document in front of her, supposedly, I guess, to refresh her recollection, to the extent she has one, which she said she didn't. But this is not a document from her, to her, nor is she shown as a recipient of the document.

So what are we doing? What do you want – and then you ask her to read the whole thing.

MR. SHONKA: I didn't ask her to read the whole thing. I asked her if she's seen it before.

THE WITNESS: No.

MR. SHONKA: And now that you've given her the answer, we can –

THE WITNESS: He didn't need to give me the answer. I was looking at it to see whether I remembered it or not, and I don't know.

BY MR. SHONKA:

Q: In 1984 were you with the Camel brand in Dec – actually in December you were with Camel.

A: Yes.

Q: As an assistant brand manager?

A: Yes.

Q: I'd like you to look at the first two paragraphs on the second page of the document, where it begins with "Purpose."

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A: Ah, this.

Q: The first full page of text.

A: I see. I got you.

Q: And it says: (Reading)

This report provides a view of company, segment, and key brand share of smoker performance beginning year 1983 among 18 to 20 versus 21 to 24 year olds. Results are provided for total smokers within each age groups, as well as among the subgroups of males, females, blacks and non-blacks.

As this is the first time these data have been available among these two age groups, the intent of this report is to establish initial share knowledge against which trends can be built over time.

MR. WILLIAMS: I think the word is "benchmarks."

MR. SHONKA: Benchmarks. What did I say?

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THE WITNESS: "Knowledge."

MR. WILLIAMS: "Knowledge."

BY MR. SHONKA:

Q: (Reading)

The intent of this report is to establish initial share benchmarks against which trends can be built over time.

Do you see that?

A: Yes, I see the document says that.

Q: Do you have any recollection at this time, when you were the Camel brand manager – assistant brand manager, of Reynolds breaking out brand share performance among 18 to 20 versus 21 to 24?

A: No. Again, I have a general recollection that this term, First Usual Brand Younger Adult Smoker, was used, and sometimes it meant 18 to 20 and sometimes it meant 18 to 24. But beyond that, no.

Q: Do you, as the manager of Camel at that time – assistant brand manager of Camel at that time, have any understanding as to why the company would want to "establish initial share benchmarks against which trends can be built over time"?

A: You know – no, I don't know why they were

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doing this. No.

Q: You have no understanding of that?

A: No, I didn't. I mean, I wasn't –

Q: You didn't know that at that time?

A: No.

Q: Do you have any understanding of it now?

A: Of this?

Q: Of why –

A: No, I don't.

Q: – the company would have built initial share benchmarks against the trends?

A: Really, I don't know what this was about, really, at all.

Again, my general recollection is that the company was interested in younger adult smokers and the impact to our business, and younger adult smokers was generally defined as 18 to 24, but sometimes 18 to 20.

Q: Do you have any understanding as to why the company would compare performance among 18 to 20s versus 21 to 24s?

A: I – probably to see how they were doing. I mean – but I don't know. I mean, you know.

Q: Well, as the executive vice-president for marketing now, do you have any understanding why the

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company would want that information?
A: Well, we track, now, by age group our share, because you want to know how you're doing. I mean, that's another measure of how your business is doing.
Q: So would it be fair to say that the company wanted to know how it was doing against 18 to 20 year olds at the time that this memo was written?
A: No. I don't really know about what the company wanted or didn't want then. Like I said, I hadn't seen this.
Q: Do you have any understanding of what the company was doing at that time?
A: Well, any understanding –
MR. WILLIAMS: Wait.
BY MR. SHONKA:
Q: Regarding the subject of this document.
A: No. I don't.
Q: Regarding 18 to 20 year olds.
A: Again, regarding –
MR. WILLIAMS: She just testified. Go ahead.
THE WITNESS: Regarding younger adult smokers, my understanding is during this time, the company was interested in younger adult smokers,

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which my understanding is was sometimes defined as 18 to 20, but usually 18 to 24.
BY MR. SHONKA:
Q: Do you have any understanding that the company had any particular interest in 18 to 20s versus 21 to 24s?
A: Again, during this time period – during –
Q: "This time period" meaning –
A: During this time period that you asked me about, this document, no, I don't know. I mean, I – other time periods I might answer differently, but for this time period, no.
Q: When you say other time periods you might answer differently, what do you mean?
A: Well, because, as I moved up in the organization and became aware of things, then I learned more. But, during this time period, my recollection during this time period, no.
Q: Okay. My question now is broader than that. Do you have any understanding as to why the company was interested in this information, 18 to 20 versus 21 to 24 year olds?
A: At this time?
Q: Do you have any present understanding of why the company was interested at that time.

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A: At that time? No.
MR. WILLIAMS: Asked and answered.
BY MR. SHONKA:
Q: And you developed an understanding later?
A: No. As I moved up in the –
MR. WILLIAMS: Listen to her response, David.
MR. SHONKA: I am trying.
MR. WILLIAMS: She's trying desperately to answer your question.
THE WITNESS: No. Really, at this time, I don't have any idea. As I moved up in the organization, I was aware of 18 to 20 versus 21 to 24 and why we would be looking at that, but not during this time and not this document.
BY MR. SHONKA:
Q: Okay. As you moved up in the organization –
A: Not during this time.
Q: – why was the company later interested in 18 to 20s?
A: My understanding is, later on, that the importance of 18 to 20 was that there was much more switching potential among 18 to 20, that about roughly 42 percent of 18 to 20 year olds switched

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brands every two years, about 29 percent of 21 to 24 year olds, and then it drops after that. So the most important group for getting switching, which was our goal, was 18 to 24. And particularly among 18 to 20 we had much greater likelihood of securing a switch to our brand, because they hadn't developed the brand loyalty yet, and so it was easier to get people to switch.
Q: What time period are you talking about?
A: I would say more like – I don't know. Probably late '80s, early '90s. I can't tell you exactly, but ...
Q: How do you define "switching"?
A: Again, there are many definitions.
Q: All right.
A: I'll try and give you mine.
Q: All right. Let's have yours.
A: All right? One kind of switch is what we call a usual brand switch, and that's where you go from saying the brand that's my usual brand that I smoke most of the time is X and now it's Y. So you've changed from smoking one brand – this one brand most of the time to smoking this other brand most of the time. That's what I call usual brand switch.

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Then there's an occasional switch. That's where I walk in the store that day and, while I'm still buying Marlboro most of the time for most of my purchases, that day I decided to buy Camel; but the next day I'm going back to Marlboro. So you made that occasional switch.

Q: Okay. Are there other definitions?

A: Oh, probably. But those would be the - usual brand switch and occasional switch, I would say, would be the two key ones.

Q: Those are the - you had indicated here - give me your understanding of switching. Is there a Reynolds definition that differs from either of the two you've given me?

MR. WILLIAMS: Why don't you define first if there is a Reynolds definition of switching.

THE WITNESS: I don't really know if there is or not. I think that people would agree; but, then again, I haven't asked them all, so I don't know.

BY MR. SHONKA:

Q: Are 18 to 20 year olds usual brand switchers?

A: Are 18 to - well, of course, everybody can be a usual brand switcher. If you have a usual

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brand and you switch to another usual brand, then you're a usual brand switcher.

Q: Are there occasional brand switchers?

MR. WILLIAMS: I'm sorry, are 18 -

MR. SHONKA: Eighteen to 20 year olds.

THE WITNESS: Sure. Again, all smokers - not all. I mean, some people never buy a different brand. But there's no age group where there's no occasional switching.

I mean, people of all age groups, some people in that age group occasionally switch.

BY MR. SHONKA:

Q: A minute ago - few minutes ago you said that 42 percent of smokers switch between 18 and 20; is that correct?

A: Over a two -

Q: Is that what you said?

A: Over a two-year time frame, 42 percent of 18 to 20 year olds will switch brands.

Q: And you said 29 percent -

A: Twenty-one to 24 year olds.

Q: - of 21 to 24 year olds. That's also over a two-year period?

A: Yes, also over a two-year period.

Q: Between the 42 percent of 18 to 20s and the

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29 percent of 21 to 24s, that's 71 percent of all smokers -

MR. WILLIAMS: No.

BY MR. SHONKA:

Q: - is that right?

A: No.

Q: What's wrong with that? 79 percent of all people - 71 percent of all people between 18 and 24?

A: No. It would be -

Q: What is the -

A: - of - of 18 to 20 year olds, that age group, 42 percent of that age group will switch in a two-year time frame.

Q: Okay.

A: Entirely different group, 21 to 24, of that age group, 29 percent will switch in a two-year time frame.

Q: Okay. So, then, you - there's no significance in adding the two numbers together?

A: No, there is not. You cannot do that.

Q: So you cannot say 71 percent switch -

A: No, you can't do that.

Q: Okay. And - then the corollary of this is that,

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in a two-year period, 58 percent of 18 to 20s do not switch?

A: This is usual brand switching. That doesn't take into account occasional switching. I'm talking about usual brand switching. Only, on that statistic.

Q: And occasional brand switching, you indicated, is basically one time transactions?

A: Well, you could do it often. I mean, you might - let's say, you know, for every ten purchases you make of Marlboro - I mean, for every ten purchases you make, eight might go to Marlboro and two to Camel. So, you know, over a two-week time frame, you're buying Camel occasionally every week.

So it is - but it's still an occasional thing; it's not your usual brand. And a large percentage of smokers do occasional switching.

Q: How do you define "usual brand"?

A: It's the brand - there are both attitude and behavioral measures. But it's - I ask you, "What's your usual brand? What do you smoke most of the time?" And you'll tell me, "Marlboro." And I'll say, "And out of your last ten purchases, how many did you give to Marlboro?"

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Q: Is there a statistical number that is associated with usual brand?

A: It varies. You'll see measures that say for everyone who, out of the last ten purchases, made eight for that brand, we're going to call them that, usual brand. Sometimes it's seven, sometimes it's nine. It depends on how discreet you want to be.

Q: Does Reynolds have a standard that it uses?

A: No. It varies over time. I would say commonly it's eight. But I would say it varies over time; it depends upon how stringent you want to be.

I mean, do you want to call someone a usual brand smoker if at least half the time they – half their purchases go to that brand? You could. It all depends on what you want to use the data for and how you want to define it.

Q: All right. You indicated that at a later point than we've been talking about, you came to understand that Reynolds was interested in data among 18 to 20s because it saw in them a poten – it saw them, that age group, as a period of high potential switching activity.

A: That's correct.

Q: Is there any other reason why Reynolds

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became interested in 18 to 20s that you're aware of?

A: I think that's it. They had a real high potential for switching. And given that, you can have a dramatic impact on your brand share – a more significant impact on your brand share.

And then I would say the other thing is brand loyalty. I mean, because they have a greater propensity to switch and the propensity to switch is less as you age, and then for – brand loyalty and brand switching play in that. You see what I'm saying? You understand what I'm saying?

Q: I believe so.

A: Okay.

Q: The brand loyalty is a – how do you define "brand loyalty"?

A: It would be – well, again, there are many different definitions of brand loyalty. In the context I'm using it right now – I mean, there are many different definitions. But in the context I'm using it right now: If Marlboro is your usual brand, how long do you stay with Marlboro as your usual brand?

But there are other definitions of brand loyalty. That is not the only one.

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Q: How long does it take to remain with a brand before that is considered a person's usual brand?

MR. WILLIAMS: She's told you: It varies. Sometimes five, sometimes eight.

THE WITNESS: In terms of the number of purchases, in terms of the time frame, you know, again, that would vary. But if you say, "Marlboro's now my usual brand, and that's what I'm buying most of the time," then that's a switch. I don't care if you did it last week, you switched. You're saying you switched, and your behavior suggests you have.

BY MR. SHONKA:

Q: Take a look at, I think – Exhibit 6 has a two-page – two pages. And then, after that, there's an attachment. And page 5 of the attachment.

A: This "New Brand Implications"?

Q: Yes, under "New Brand Implications."

A: Is that what you're looking at?

Q: The paragraph reads: (Reading)

RJR's immediate need is to strengthen its position among younger adults to ensure the Company's future development as these smokers

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age. This is particularly true of RJR's position in the 18 to 20 year old market with the business building need extending to both males and females.

My question is, this is – this paragraph appears under a heading "New Brand Implications." Are you aware of Reynolds attempting to develop new brands at this time to appeal to 18 to 20s?

A: At this time, I was not involved with it at all. Did not –

Q: Have you subsequently become aware of it?

A: Not during this time period. You know, back to this time period when this document was written, no.

Q: All right. I'm not – I'm talking about you developing a subsequent understanding as to why – whether Reynolds had an interest in developing new brands directed to 18 to 20s.

A: Again, later in late '80s/early '90s, that's when I developed my understanding of the importance of 18 to 20 and 18 to 24 younger adult smokers. And we were working on new brands for younger adult smokers, specifically 18 to 24, but that's not this

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time period or this document. I don't know what they're referring to here.
MR. SHONKA: I'm sorry. Can you read that back?
(The previous answer was read back.)
BY MR. SHONKA:
Q: Are you aware of any time period Reynolds was developing new brands for 18 to 20s?
A: My recollection is it wasn't new brands for 18 to 20s, it was 18 to 24 younger adult smokers. That's my recollection.
Q: So, if Reynolds was working on new brands for 18 to 20s in the 1984 period, you were unaware of it?
A: I don't know – yeah, I don't know.
Q: Are you aware of any such effort in the '87 period, when you were the brand manager for Camel?
A: I don't think 18 to 20, no. I don't recall any 18 to 20 targeted brands, no.
Q: Okay.
I'd like to have another document marked as Burrows (sic) Exhibit –
MR. WILLIAMS: How about Beasley?
MR. SHONKA: Oh, I'm sorry. As Beasley Exhibit 7. I'm getting in this rut.

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MR. WILLIAMS: We have a lot of documents in this deposition. It's a big rut to the end.
(Discussion off the record.)
(Recess taken from 2:19 p.m. to 2:35 p.m.)
MR. SHONKA: I was about to have a document marked as Exhibit 7. Have we already marked it?
MS. SULLIVAN: No.
MR. SHONKA: So I ask the court reporter to mark as Beasley Exhibit 7 a document that has been previously marked as CX-877. It is a memo dated October 18, 1984, to J. R. Shostak, S-H-O-S-T-A-K, from D. S. Johnson, re Younger Adult Smoker Study.
(Beasley Deposition Exhibit No. 7 was marked for identification.)
BY MR. SHONKA:
Q: Ms. Beasley, would you take a moment to look at Exhibit 7 –
A: Yes, I will.
Q: – and tell me if you've seen it before.
(Witness reviews document.)
A: No.
Q: No, you have not seen it before?
A: No, I have not seen it.
Q: All right. In October of '84 you were with the – you were an assistant brand manager for the

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More brand; is that right?
A: That's right.
Q: Do you recall precisely – I see you changed from the Camel brand, also, in October of '84. Do you recall where you would have been on October 18th? With More or Camel?
A: I don't.
Q: Okay.
A: One of the two.
Q: Good guess.
A: I'm sorry.
Q: That's all right.
MR. WILLIAMS: And further, David, what's the point? Because the document put in front of her doesn't deal with More or Camel, it deals with Salem.
MR. SHONKA: I'm asking her where she was at the time. That's all, John.
MR. WILLIAMS: I know. But let's ask relevant questions.
BY MR. SHONKA:
Q: The second paragraph, in Exhibit 7, if you focus on that it says: (Reading)
In February 1984, the brand group identified an

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opportunity to optimize Salem's younger adult position via a line extension targeting exclusively to 18/19 year old smokers.
Do you see that?
A: I see the document says that, yes.
Q: Are you aware – or were you aware in 1984 of any efforts to do – undertake line extensions directed to 18 to 19 year old smokers?
A: No.
In fact, the first time I heard about it was this. I mean, I don't recall it.
Q: And, again, did you, later in your career, develop an understanding as to why Reynolds would have been marketing or planning line extensions targeting exclusively to 18/19 year old smokers?
A: I think this is like one person's proposal. I don't know as Reynolds ever did that. So I wouldn't assume Reynolds had did – had done that, one. And, two, no, I don't have any knowledge of it, or did I ever develop a knowledge of it. I don't recall it.
Q: Are you aware of Reynolds at any time having developed line extensions to target 18 and 19 year

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old smokers?
A: No.
Q: Or how about 18 to 20 year old smokers?
A: Possibly 18 to 20. I mean, I don't recall. But, again, in general, we were looking at younger adult smokers; sometimes that was defined as 18 to 20, sometimes as 18 to 24. So it's certainly possible. I can't recall any specific instance.
Q: All right. Regarding 18 to 20s, you said possibly. Do you have any recollection at all of line extensions?
A: No, for just 18 do 20? No.
Q: Of not just 18 to 20, but, say, targeting principally 18 to 20?
A: I would say targeting 18 to 24 year old smokers, yes. But targeting 18 to 20, just 18 to 20, I don't recall, no.
Q: What do you recall regarding targeting 18 to 24 line extensions?
A: Well, certainly on – well, I don't know if it was just 18 to 24 or not; I'd have to go back and look. It certainly included 18 to 24. Line extensions on Camel, line extensions on Salem, line extensions on Winston. I mean, it would have included 18 to 24; it could have been a broader

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target than that.
Q: Do you recall a time when Reynolds was looking at a line extension on Camel targeting 18 to 24?
A: Just 18 to 24? No, I don't know. Because I wasn't on Camel the whole time, and Camel's target evolved over time. You know, when I had it, it was 18 to 24, primary; secondary, 25 to 34; and Camel franchise smokers, 18 plus. So – I don't know.
Q: Let me clarify my question. What I'm asking is not just what you knew at the time it was happening, but whether you have any knowledge or any understanding of Reynolds marketing a line extension to 18 to 24 year olds in the Camel brand.
A: Well, again, I think the target would have included 18 to 24 year olds probably for all the line extensions. Now, it probably also included other groups as well.
Q: What time –
A: Well, I mean, that would be before '92. After '92 would be 21 to 24. You understand that.
Q: Yes.
Before '92, who – or which – can you give me dates?

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A: Dates? Relating to what?
Q: For the line extensions that might have been targeted to 18 to 24 year olds.
A: And a broader group.
Q: And a broader group.
A: So if you're thinking about Camel line extension that may have been targeted to 18 to 24 and a broader group, I would say probably – what time period are we talking about?
Q: I'm asking you. That's the question.
A: Umm.
Q: Before 1992.
A: Before 1992, from – so, like, from 1982 to '92 or –
Q: I think we've been talking –
A: For '84?
Q: – at '84.
A: Okay, '84 to '92. I would say Camel Ultra Lights may have been introduced in that time period and probably included an 18 to 24 target.
Q: Just to make sure we're clear on the record here about targets, brands have what they call a primary target?
A: Sometimes.
Q: And a secondary target?

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A: Sometimes.
Q: And a primary target is what?
A: It has more emphasis than the secondary target. That's all. I mean, they're both targets of the brand; one just has more emphasis.
Q: So, now, when we talk about – can you talk about – or do you have any understanding of Camel doing a line extension where the primary target was 18 to 24 year olds?
A: Well, I'm not sure. I'd have to go back and look. You know – I'd have to go back and look to know if that was the primary target or not. I certainly think it's possible; but, you know, I would need to go back and look.
Q: How about with Salem?
A: I would have to go back and look to know.
Q: And Winston?
A: Same thing. I would have to go back to look.
Q: Where could – where would you be able to find this if you were to go back and look?
A: That's a good question. I mean, I think that – you know, you guys have all the old company documents, so I'm assuming you might be able to find it somewhere in there.

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Q: You have no independent knowledge of where such information would be now?
A: Again, the old company documents, I would assume, would have it, that you have.
Q: All right. So you're not aware of any line extension efforts that were made targeting 18 to 20 year olds in the 1984 period?
A: Specifically, no. Just 18 to 20 year olds, no.
Q: Or 18 to 19?
A: Or 18 and 19 year olds –
Q: Either way.
A: – specifically, no.
MR. SHONKA: I would like to have marked as an exhibit a document that's previously been marked as CX-876. It is a document dated October 16, 1984, from R. C. Nordine to A. R. Cox. The subject is FUBYAS, F-U-B-Y-A-S, Panel.
(Beasley Deposition Exhibit No. 8 was marked for identification.)

BY MR. SHONKA:

Q: Please take a look at Exhibit 8 and tell me if you've seen the document before.
(Witness reviews document.)
A: No.

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Q: All right. Ms. Beasley, in the period 1984, were you aware of FUBYAS panels?
A: I don't recall it, no.
Q: Did you ever hear of them?
A: I don't think so. I don't recall it.
Q: Did you ever develop a subsequent understanding of FUBYAS panels?
A: No.
Q: Are you familiar with the term FUBYAS?
A: Yes.
Q: What does it mean?
MR. WILLIAMS: We already talked about it in this deposition. We've already established that.

BY MR. SHONKA:

Q: Go ahead.
A: First Usual Brand Younger Adult Smokers.
Q: And what does that mean?
A: You know, conceptually, I think what it meant is it's the first brand that a younger adult smoker becomes loyal to. In practice, how it was used is attached to 18 to 20 year old younger adult smokers or 18 to 24 year old younger adult smokers.
Q: You said first usual – first brand that a younger adult becomes loyal to?
A: Yes. Younger adult smoker.

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Q: Younger adult.
A: Smoker. Becomes loyal to.
Q: Did you – could you take a look at 876 – I'm sorry, Beasley Exhibit 8, and tell me if you have any understanding – the paragraph is number 2.
(Witness reviews document.)
A: Yes.
Q: There are a series of initials. ARC, JT, WPW, and RCN. Do those initials mean anything to you, any of them?
A: Well, I think ARC is Alan Cox. It looks like, although I don't know, that GJT is Greg Totterdale, because he's the one at the top there. And RCN, Dick Nordine, the guy it's from. WPW, don't know, but could be Bill Wetlatch. I don't know.
Q: And MLO is Martin Orlowsky? He's about three lines down.
A: I believe – I believe so.
Q: At the time this memo was written, were you reporting to any of these people, Mr. Cox, Mr. Totterdale, Mr. – Wetlatch, is it?
A: That's possible. I don't know that's his initials, I'm just saying it's possible.
Q: If it is him.

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A: No, I was not reporting to any of them.
Q: Mr. – not Mr. Nordine. What about the others I've mentioned on the next line?
A: Well, in 1984– and this was October 16th, I was probably either reporting to Steve Strausburg, Allen Sterling or Rick Caufield. So, no.
Q: Are you – were you ever aware of any lifestyle studies that Reynolds undertook?
A: I don't know. That's pretty broad.
Q: Yes, it is.
A: I mean, you know, "any lifestyle studies."
Q: Let's focus in the '84 period.
MR. WILLIAMS: Can you be more specific, David?
MR. SHONKA: I can't.
MR. WILLIAMS: Well – do you have a document?

BY MR. SHONKA:

Q: Are you aware of any in that period?
A: You know, it's just so broad. Like, "lifestyle studies." I mean, is it a lifestyle study if you go to a focus group and ask a group of adult smokers what lifestyles they like? I mean, sure we ask lifestyle questions of adult smokers.

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Q: Does the term "mind set" mean anything to you?
A: Yes.
Q: What is that?
A: Well, you know, it's a moving target, but I would say, in general, mind set would mean maybe the values or attitudes or lifestyles of an adult smoker.
Q: Of a segment of adult smokers?
A: It could be of a segment. Not necessarily.
Q: Do you know who Gene Shore is?
A: Yes.
Q: Who is he?
A: He is a marketing research supplier.
Q: And he works for Reynolds?
A: He has worked for Reynolds.
Q: A supplier for Reynolds?
A: As a supplier for Reynolds.
Q: Have you ever worked with him?
A: Yes, I have.
Q: When?
A: Oh, you know, over the years. I would say certainly – I remember working with him on Winston. But I – you know, he's been a supplier of ours for a long time. I can't remember exactly all the times

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I've worked with him.
Q: What did you remember – what do you remember about Winston?
A: He did focus groups for us. He conducted focus groups.
Q: What time period?
A: I would say early '90s.
Q: Did you ever work with him in connection with Camel?
A: I can't remember. Could have. He could have done some of our groups. You know, I just don't remember.
Q: You have no knowledge of FUBYAS panels in the 1980s – '4 period?
A: I don't remember that, no. I don't recall that.
Q: Any knowledge of it subsequent to '84?
A: No, no. I don't – I don't have any knowledge about it. I don't recall it.
Q: Did you develop any knowledge later on in your career at Reynolds?
A: No. I don't recall having – I don't recall that.
Q: Okay. Did you ever advocate repositioning of any of the brands that you worked on before Now,

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Salem, and More?
A: I could have advocated all three of them. It's hard to say. You know, that's one of the things you do: You're always thinking up ideas.
Q: Did you ever advocate repositioning those brands for 18 to 20s?
A: I think in my last deposition they showed me an old More document I wrote where I advocated that, I believe.
Q: Okay.
A: Or something similar – I don't remember the exact wording, but that we might reposition More to younger adult smokers.
Q: Do you have any recollection of that event?
A: You know, vaguely.
MR. WILLIAMS: Of the deposition or the –
MR. SHONKA: The event, John.
MR. WILLIAMS: Event.
THE WITNESS: Actually, when I wrote that document, no, I don't really remember the thinking when I wrote that document.
BY MR. SHONKA:
Q: You assigned statements in it to youthful exuberance? Is that it?
MR. WILLIAMS: What?

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THE WITNESS: Well, no. I would say, you know, as a marketing person, even as an assistant brand manager on a brand, you're always trying to come up with ideas for the brand and suggest ideas and come up with ideas, and there's many of them. And to remember every single suggestion you made, you know ...
BY MR. SHONKA:
Q: Okay. Did you – do you recall attending any presentations given by Diane Burrows?
A: Yes.
Q: When?
A: You know, I can't remember the exact year. I would say it's probably in the mid '80s, and I remember going to a presentation that she gave to a large group on younger adult smokers.
Q: Did you talk to her after the presentation?
A: I don't recall, no, doing that.
Q: Did you ever have any subsequent communications with Diane Burrows regarding her presentation?
A: That specific presentation?
Q: Yes.
A: I don't recall doing that. I mean, it's possible, but I don't remember.

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Q: Did you ever discuss younger adult smoker opportunities with Ms. Burrows?
A: In my whole career?
Q: Yes.
A: Yes.
Q: When?
A: Oh, you know, over the years, certainly we've talked.
Q: What about in the '84 period?
A: You know, I don't remember specifically in the '84 period, no. I remember attending a presentation of hers; but, beyond that, I really don't remember she and I chatting a lot over it.
Q: Do you remember discussing it with her?
A: No, I can't say as, you know, in that time period I remember any specific conversations. I do remember attending a presentation with a large group of marketing people that she was giving.
Q: How about when you were brand manager for Camel, when you became brand manager in '87, did you have any discussion with Ms. Burrows?
A: I don't remember any specific conversations, no.
Q: Do you have any vague recollection of any conversations?

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A: No.
Q: Any written memoranda?
A: Umm, not that I recall. I certainly don't recall any.
Q: Those are the ones that didn't go in writing, is that it?
A: No. As I told you, I can't recall any conversations –
MR. WILLIAMS: He's just joking now, I think.
THE WITNESS: Oh.
BY MR. SHONKA:
Q: Go ahead.
MR. WILLIAMS: I mean, he's got to be joking when he says, Do you have any vague recollections about something.
THE WITNESS: I don't really.
MR. SHONKA: I want to have marked – this is a document that is dated October 19, 1984, to Mr. G.W. McKenna, capital M-C-K-E-N-N-A, a Younger Adult Smoker Presentation, More Brand Perspective.
(Beasley Deposition Exhibit No. 9 was marked for identification.)
BY MR. SHONKA:
Q: Ms. Beasley, do you recognize Exhibit 8?

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A: Yes – or 9. You mean 9? I don't recognize Exhibit 8. This is 9, though, it says.
Q: All right, 9.
Do you recognize 9?
A: Yes.
Q: What is that?
A: It's a recommendation I made to Gerry McKenna back in '84 on the More brand.
Well, I don't even know if it was a recommendation; I guess it says "perspective," a brand perspective.
Q: Would you take a look at the memo closely and tell me if it refreshes your recollection at all about any discussions you might have had with Mrs. Burrows regarding the younger adult smoker presentation.
A: No, it does not.
Q: Does it refresh your recollection as to when you would have seen the presentation?
A: Well, I suspect it was before this.
Q: "This" being October 19, 1984?
A: Yeah. But I said it was the mid '80s. I mean, so it was probably around this time. I probably went to the presentation and then came out and wrote this.

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Q: It's very likely, then, it was soon after?
A: I suspect. But I don't know. Honestly, I don't know.
Q: Do you recall if you received any materials from the presentation?
A: No, I don't recall that.
Q: Is it likely that you would have?
A: Not necessarily, no. I mean, it's certainly possible, but I wouldn't say it's likely.
Q: And at the time that you wrote this memo, Beasley Exhibit 9, where did Mr. McKenna stand in relation to you at Reynolds?
A: He was my boss's boss on the More brand.
Q: So he was – you were the assistant brand manager for –
A: For More. And then there was a –
Q: Brand manager.
A: – brand manager. And then there – and he was up above that.
Q: Above that?
And that would place him in charge of several brands?
A: I think so. I think he was, yes. I can't remember specifically what brands, but I think he was.

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Q: And do you know who he reported to?
A: I suspect he reported to the head of marketing at the time. Whoever that was.
Q: Okay. Now, I'd like to go back to our earlier discussion about 18 to 20s, and in the 1984 period.
A: Uh-huh.
Q: Does your review of Exhibit 9 refresh your recollection as to why Reynolds was at all interested in 18 to 20 year olds –
A: Again –
MR. WILLIAMS: Stop. First of all, she has not said she has no recollection as to why Reynolds was interested in 18 to 20s; she's already answered that question. And 18 to 24s. So the question assumes she's testified there's no recollection. There is. So rephrase –

BY MR. SHONKA:

Q: My understanding – of course I don't have the transcript in front of me, but my understanding is that you testified earlier that you had no understanding as to why Reynolds was interested in 18 to 20 year olds in the 1984 period; is that – do I have that right?
A: Well, what I said was that my recollection

from that time period is that younger adult smokers were important to us; specifically First Usual Brand Younger Adult Smokers. My general recollection was that could be defined as 18 to 24 – 18 to 24 year old younger adult smokers or 18 to 20 younger adult smokers. And if you look at this document, it refers to 18 to 20, and it refers to 18 to 24, and it refers to First Usual Brand Younger Adult Smokers.
So it pretty much confirms my recollection of what I told you earlier, which is, it talks about First Usual Brand Younger Adult Smokers, it references 18 to 20, it references 18 to 24, and their importance; which is pretty much my accurate recollection of it.
Q: Actually, I need your help here. I don't see a reference – oh, 18 to 24. "Three quarters of smokers 18 to 24 were educated through high school or less"?
A: Yes.
Q: But above that you make a statement that FUBYAS are 18 to 20 year old?
A: Again, it was – it's an evolving definition. Sometimes it's – FUBYAS are referred to as 18 to 20 year olds, sometimes they're referred

to as 18 to 24 year olds; you'll find a mix of it in the documents. And that's my recollection of the time, and that's pretty much what the documents reflect.
Q: But in this memo you're talking about FUBYAS as 18 to 20s, are you not?
A: Well, it looks like in one place it does, but in another point you're talking about 18 to 24 year olds. So – you know, I'm not really sure, looking back on this, you know ...
Q: I think I'm having –
A: Thirteen years later.
Q: – a little problem with the grammar on this. I'm in the paragraph that talks about 18 to 24 year olds, but I don't see any reference to FUBYAS.
A: It doesn't say that. But the whole document is about "Younger Adult Smoker Presentation." So obviously it referenced 18 to 24 and 18 to 20. I mean, that's where the stuff is coming from, it looks like. So they must have talked about 18 to 24 and 18 to 20.
Q: Is there any other reference in this document to 18 to 24 year olds, besides the one – the third bullet point on page 1?

A: I don't know if there's any other reference to age, period. I haven't – I'd have to read it real quick and see.
Q: Please do.
A: I don't see any other reference to age at all.
Q: Throughout this document you mentioned –
MR. WILLIAMS: Wait, wait, wait. Is your question specifically with respect to age breakouts? Because it talks about a number of other things relating to FUBYAS and categories of FUBYAS, okay? So let's be – I'm not sure what you're doing here. Are you looking for the actual Arabic numerals, 18 to 24?
MR. SHONKA: Are you done, coach? I mean, John.
MR. WILLIAMS: No, no, no. I want to be real careful here. You asked her; she takes a quick look. Do you want to ask fair questions or unfair questions?
MR. SHONKA: I've told the witness to take her time looking at the documents.
MR. WILLIAMS: All right.

BY MR. SHONKA:

Q: Ms. Beasley, have you ever felt as if I've

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been rushing you through a review of the documents?
A: No.
Q: If you ever have that impression, would you please tell me to slow down?
A: Yes.
Q: Okay, thank you.
Now, looking at Beasley Exhibit 9, there are several references to FUBYAS, are there not?
A: Yes. First Usual Brand Younger Adult Smokers.
Q: And am I correct when I say that the only statement on the document that has an age in the same sentence as FUBYAS is in the first bullet point where it says, "FUBYAS are 18 to 20 years old"?
A: Yes. Again – I will tell you, again my recollection, which is First Usual Brand Younger Adult Smokers sometimes is referred to as 18 to 20, sometimes is referred to as 18 to 24.
It looks like this is summarizing conclusions from a younger adult smoker presentation, and it refers to 18 to 20 year olds and it refers to 18 to 24 year olds.
Q: Why were FUBYAS, or 18 to 20 year olds, significant to you in 1984?
A: Again, younger adult smokers are – were

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important to the company. They're important to the company because they represent a key switching opportunity where there are higher rates of switching; and then, after that, there are higher rates of brand loyalty. So it's a key business opportunity for the company.
Q: Now, a FUBYAS is not a switcher, isn't that correct?
A: Again, you have – you have to remember what I told you earlier. First Usual Brand Younger Adult Smoker conceptually talks about the first brand you're loyal to. However, in using it for marketing, when we talk about it, we talk about age groups. So we're talking about 18 to 20 year old adult smokers or 18 to 24 year old adult smokers. And they either smoke your brand or they don't.
Q: Would you please look at the top of page 3.
A: Yes.
Q: You say, "More could target two segments" –
MR. WILLIAMS: I'm sorry. You're reading from the top of page 2, not the top of page 3.
MR. KACZYNSKI: There are two page 2s.
MR. SHONKA: The third page of the document.
MR. KACZYNSKI: Lynn's got a new secretary.
MR. WILLIAMS: The last page of this

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exhibit?
MR. SHONKA: Yes.
MR. WILLIAMS: All right.
MR. SHONKA: So the record is clear.
BY MR. SHONKA:
Q: It says: (Reading)
More could target two segments: The brand would continue to be for smokers who want to stand out from all other individuals and it would also be for a FUBYAS subgroup who wants to be seen as different from all other groups. The older smoker who switches to More has the self-confidence and maturity to make a strong statement. The group provides the same security for the younger adult smoker who selects More.
Does that paragraph not distinguish between FUBYAS and older smokers?
A: Yes, it does.
Q: And it refers to FUBYAS as a subgroup?

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A: Sure, it is: First Usual Brand Younger Adult Smokers. Younger adult smokers, older adult smokers, two different groups.
Q: So in this paragraph you're referring to the 18 to 20 year olds, as in the first part of the memo?
A: Don't know that, no. Could be; don't know. Could be 18 to 24, could be 18 to 20. It's probably 18 to 20; but I'm not sure, because it doesn't say.
But, you see, First Usual Brand Younger Adult Smokers is defined by age. You know, it's a conceptual difference. But when you actually get to targeting a brand, you're targeting an age group. And so you're targeting a group who currently choose your brand and people who choose another brand, and you want them to choose your brand: 18 to 20 or 18 to 24.
Q: Why is FUBYAS defined by age and not by the words that make up the acronym?
A: Because, in practice, you target an age group. You can't target that nebulous thing, because it's a conceptual difference. Conceptually, how loyal is someone to a brand? Have they developed a strong loyalty to it or are they not yet loyal to a brand? It's a conceptual difference.

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When you come to actually marketing a brand, you'll market to an age group. So you market to 18 to 20 or 18 to 24 or 18 to 34. You have to pick an age group, because that's a conceptual difference. It's not a difference that translates into marketing programs.

Q: Doesn't Reynolds sometimes market to segments as opposed to age groups?

A: Segments. I mean, normally every brand has an age group target. Now, you might also have with that age group target – further define – like on Marlboro for people who stand out and want to be different. So you have an age target and you have an attitude description of that age target.

Q: All right. Isn't a First Usual Brand Younger Adult Smoker a person who has chosen a particular brand as its – his or her first usual brand?

A: Yeah, that's the conceptual, I would say, definition of it, as I've defined it.

Q: That definition is independent of any age, is it not?

A: No, it's not. And that's why you see in documents that it's either said that that means 18 to 20 or that means 18 to 24. That's why it always

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says that, because – you have to get down to an age group, because it is just a conceptual difference.

Q: If a person, hypothetically, started smoking Camels at age 55, would Camel at that point – having never smoked before, would Camel be that person's first usual brand?

A: Sure. If that's the first brand they use.

Q: So you can have a first usual brand at any age.

A: Of course you can. It's a conceptual difference, though, is what I'm telling you. It's conceptual. You conceptually define on that loyalty continuum where someone is. But when it actually comes to marketing a brand, you actually market a brand, is you develop an age group you market to. And that's why that conceptual difference was translated to age group. What we mean is 18 to 20 or 18 to 24. Because that's how you market a brand. You market it by the target age group you pick. You can't – that's a conceptual difference.

Q: All right. We talked earlier today about Reynolds' policy of saying what you mean and meaning what you say?

A: Right.

Q: Do you recall that?

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A: Yes.

Q: We said that was a goal for – the company would like to reach?

A: Sure.

Q: All right. Why doesn't the company just target to 18 to 20 year olds, then, or 18 to 21 year olds instead of First Usual Brand Younger Adult Smokers?

A: During this time period, the reason I think that First Usual Brand Younger Adult Smokers was used was because it was an important conceptual difference that said, at this age group, there are more people who haven't yet chosen a brand to be loyal to, so you have a better chance of building business, you have a better chance of getting them to be loyal to your brand. And that's a real conceptual difference. That is saying what you mean.

But when it comes to actually marketing a brand – okay, now we're down to we're creating marketing plans and advertising and packaging for a brand – it's an age group. And so First Usual Brand Younger Adult Smokers was translated to mean either 18 to 20 year old younger adult smokers or 18 to 24 younger adult smokers.

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Q: Does Reynolds want – okay. Strike that. Could you read back the last question?

MR. WILLIAMS: "Does Reynolds want?"

MR. SHONKA: No – answer. No, we're striking that one. Read back the answer.

(Whereupon, the question was read back by the court reporter as follows:

During this time period, the reason I think that First Usual Brand Younger Adult Smokers was used was because it was an important conceptual difference that said, at this age group, there are more people who haven't yet chosen a brand to be loyal to, so you have a better chance of building business, you have a better chance of getting them to be loyal to your brand. And that's a real conceptual difference. That is saying what you mean.

But when it comes to actually marketing a brand –

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okay, now we're down to we're creating marketing plans and advertising and packaging for a brand – it's an age group. And so First Usual Brand Younger Adult Smokers was translated to mean either 18 to 20 year old younger adult smokers or 18 to 24 younger adult smokers.

THE WITNESS: Yes.

BY MR. SHONKA:

Q: Why?

A: Because you market to an age group. You pick an age group to market to. And as it turns out, as I gave you the switching numbers earlier, this group is more likely to not have developed brand loyalty, or be more likely to switch. So you've got a better shot, when you do your marketing against them of convincing them to come to your brand than you do have an older age group.

So it's an important age group. And then they develop brand loyalty and the switching rates go down. So this is an important age group at which to build your business.

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Q: So Reynolds wants smokers to choose its brands as their first usual brand?

A: We want younger adult smokers to choose our brands; we want older adult smokers to choose our brands. Yes, we would like adult smokers to choose our brands.

Q: As the first usual brand?

A: Again, adult smokers we would like to choose our brands. If it's their first brand they're loyal to or the third brand they're loyal to, we want them to choose our brands. That's our goal.

Q: There are advantages, are there not, in having smokers choose your brands as their first usual brand?

MR. WILLIAMS: Young – adults?

MR. SHONKA: Any smoker.

MR. WILLIAMS: Any smoker.

BY MR. SHONKA:

Q: As choosing your brands as that smoker's first usual brand?

A: Adult smokers. There are advantages to having adult smokers choose our brands. I don't care what age it's at, there's an advantage to having an adult smoker choose your brand.

Q: As their first usual brand.

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MR. WILLIAMS: Look, she has given you the answer.

MR. SHONKA: No, she has not.

MR. WILLIAMS: I don't know what more she can do.

THE WITNESS: Again, whether it's the first brand, the second brand, the third brand, we want them to choose our brand to be loyal to. We want them to switch to our brand. And that's adult smokers of all ages.

BY MR. SHONKA:

Q: But there are economic advantages, are there not, in having smokers choose your brand as their first usual brand?

MR. WILLIAMS: Wait a minute. I'm going to object here. Are you saying adult smokers? Otherwise you're just being – trying to argue –

MR. SHONKA: The question stands.

MR. WILLIAMS: It's argumentative.

THE WITNESS: Again, for adult smokers, it is advantageous to have them choose your brand, either as their first brand or a brand they're switching to, when they're 18 to 24 year olds. Because, after that period, they become less likely to switch.

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So it doesn't matter whether it's the first brand or the second brand or the third brand. But if you can get them to choose your brand when they're an adult smoker 18 to 24, then you have a better ability to build your business over time.

BY MR. SHONKA:

Q: Most smokers remain loyal to their first brand for several years, do they not?

A: No. Again, 42 percent of 18 to 20 year olds will switch in a two-year time frame; 29 percent of 21 to 24 year olds; 17 percent of 25 to 29 year olds. So there's a large group switching. And, no, they are not.

You know – again, it depends on the kind of switch they've made, if it's a usual brand switch or not. But certainly there is an advantage to having a younger adult smoker switch to your brand, yes.

Q: Is there an advantage in having the younger adult smoker choose your brand as his or her first usual brand?

A: It doesn't matter. There's an advantage to them choosing your brand. I don't know if it's their first brand or their second brand or their third brand, but to have a younger adult smoker choose your brand is an advantage.

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Q: You said that 42 percent of smokers 18 to 20 switch in a two-year period?
A: Yes.
Q: To me that means 58 percent do not.
A: Right.
Q: Is there ad – an advantage in having that 58 percent choose your brand, Reynolds' brands, as their first usual brand?
A: Again, that 58 percent – it doesn't mean they aren't going to switch. It just means, during that two-year time frame when they were 18 to 20, they didn't switch. They may switch at 21 to 24; they may switch at 25 to 29; they may switch when they're over 30.
It is to your advantage to switch a smoker to your brand, whatever age they are. It is more advantageous to switch them when they're a younger adult smoker because they're likely to stay with you more so than – for a longer period of time than an older adult smoker.
Q: So there is an advantage if they switch your brand – to your brand while they're 18 to 20?
A: While they're 18 to 24, a younger adult smoker. Because they're –
Q: There is an advantage?

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A: Well, there's an advantage because they're – you can more easily switch someone at that age and then they become more brand loyal.
Q: Okay. So there is an advantage in having an 18 to 24 year old choose your brand of cigarette as that person's usual brand?
A: To choose our brand as their usual brand? You bet. We want adult smokers to choose our brand as their usual brand. Absolutely, that's our goal.
Q: Okay. And isn't it also your goal, then, to have them choose your brand as their first usual brand?
A: No.
MR. WILLIAMS: Who is "them"?
THE WITNESS: The goal is to have adult smokers choose our brand as their usual brand. Whether it's their first usual brand, their second usual brand, their third usual brand, or ad infinitum, our goal is to have adult smokers choose our brand as their usual brand.
BY MR. SHONKA:
Q: Are you telling me that Reynolds does not care if smokers choose a Reynolds brand as that person's first usual brand?
A: That is not the key. The key is how many

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people choose our brands as their usual brand.
Q: So your testimony –
A: Adult smokers.
MR. WILLIAMS: No, no, that wasn't.
MR. SHONKA: No, I'm asking.
BY MR. SHONKA:
Q: Do I understand your testimony, then, that it makes no difference to Reynolds?
MR. WILLIAMS: Wait, wait. Stop. What makes no difference? That we are – and the reason that I'm going to stop is we're going too fast and we're becoming very argumentative here. Can you pose your question? Are you asking an age question?
Would you pose your question again, please.
BY MR. SHONKA:
Q: Did you understand the question?
A: No.
MR. WILLIAMS: I don't care. I didn't understand it. It's not going to get an answer until I understand it. So why don't you –
MR. SHONKA: Your understanding is irrelevant. It's the witness's understanding –
MR. WILLIAMS: It may not be irrelevant – it may be irrelevant to you; it's not to me. Let me have the question back, please.

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(Whereupon, the question was read back by the court reporter as follows:
Do I understand your testimony, then, that it makes no difference to Reynolds?)
MR. WILLIAMS: All right. I've asked what makes no difference to Reynolds? Let's have a fair question, David. What makes no difference –
BY MR. SHONKA:
Q: Do I understand you to say that it makes no difference to Reynolds if a smoker does not choose a Reynolds brand as that smoker's first usual brand?
MR. WILLIAMS: Are you asking smokers or adults?
MR. SHONKA: I said smokers, John.
MR. WILLIAMS: All right, smokers.
THE WITNESS: Again, we are interested in adult smokers only and the choice of adult smokers. And it is very important to us that adult smokers choose our brands as their usual brand. That is our goal. Whether it is their first brand, their second brand, or their third brand, we want adult smokers to choose our brand. Particularly young adult smokers, because of brand loyalty.
BY MR. SHONKA:

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Q: Take a look at Exhibit 9 again. In the first bullet point, the bullet point with the sentence, "Older smokers who have already selected a first usual brand are switchers."
A: (Witness nods head.)
MR. WILLIAMS: I'm sorry, the first page?
MR. SHONKA: First page.
THE WITNESS: Uh-huh.
BY MR. SHONKA:
Q: Now, that sentence does distinguish between those who have chosen a first usual brand and those who have switched, does it not?
A: Yes. Again – I think I explained this several times already. There is a conceptual difference between someone who is – the first brand they're loyal to and a brand they have switched to. There is a conceptual difference. When that's translated to our marketing programs, we target age groups.
Q: You said there's a conceptual difference. Is there a practical difference?
A: The practical difference translates into age targeting. So it's 18 to 20 or 18 to 24. That's what it becomes in a marketing plan.
Q: And then we go back to the question of why

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doesn't Reynolds simply market to age groups instead of first usual brand smokers?
A: Again, we market to younger adult smokers, we market to older adult smokers. When I was on Camel, the target for Camel was 18 to 24 male adult smokers, first, second, 25 to 34 male adult smokers; and, third, Camel franchise smokers 18 and older. And that is exactly what we did.
Q: Did Reynolds at any time ever develop a FUBYAS strategy with respect to Camel?
A: Again, conceptually, it translates to age group. Just like in this document where it tries to define it as 18 to 20 or 18 to 24, that's what it becomes for a brand.
I'm trying to explain the difference to you. There is a conceptual difference. Is it the first brand you are loyal to or is it the second or third brand you're loyal to for adult smokers? When we translate that to a marketing plan, it becomes an age group attached to it.
Because the 18 to 24 age group is more likely to be switching and more likely to be in the process of choosing their first usual brand, we translate that to the age group of 18 to 20 or 18 to 24. And that's what's important.

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MR. WILLIAMS: Do you want to take a couple of minutes?
THE WITNESS: Yeah.
(Recess taken from 3:29 p.m. to 3:42 p.m.)
BY MR. SHONKA:
Q: Ms. Beasley, why did Reynolds reposition the Camel brand?
A: Because the brand was not performing well in the marketplace. It had perceptions of a product as harsh, and a lot of adult smokers felt like it only had a non-filter style, didn't even know we had filtered styles. If they knew we had filtered styles, they thought it was a very harsh, strong product. And it was a brand that was for – it was a brand that was outdated and for older smokers.
Q: Was there any other reason?
A: We felt the need to contemporize the brand.
Q: What do you mean by that?
A: I mean, adult smokers felt like it was a brand for older smokers and that it had a harsh, strong taste.
Q: Why Camel? Why not some other brand?
A: Well, we worked on other brands as well. Camel was just one brand we worked on.
Q: For repositioning?

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A: Right.
Q: What other brands did you – did Reynolds attempt to reposition?
A: Salem, Winston, Vantage.
Q: Did they succeed in repositioning those?
MR. WILLIAMS: Can I interrupt for one minute?
MR. SHONKA: Sure.
MR. WILLIAMS: I'm sorry. I just have to make a two-minute phone call. I just realized I don't have something.
MR. SHONKA: How can I possibly turn down a request that nicely put?
(Discussion off the record.)
(Recess taken from 3:44 p.m. to 3:47 p.m.)
BY MR. SHONKA:
Q: We were talking about Reynolds' efforts to reposition brands other than Camel. You had mentioned Salem, Winston, Vantage. Any others?
A: I think that's it. As far as established brands.
Q: Did Reynolds succeed in repositioning any of the brands – any of these three?
A: I think we're succeeding with Winston.
Q: With its current campaign?

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A: Uh-huh. Yes.
Q: And how do you describe that campaign?
A: No Bull repositioning.
Q: No Bull repositioning?
How long has Reynolds been attempting to reposition the Winston brand?
A: I'd say at least since I've been with the company.
Q: Sixteen years?
A: Uh-huh. Yes.
Q: How about Vantage? How long has – has Reynolds succeeded in repositioning that brand?
A: No.
Q: Let me back up. In terms of repositioning Winston, what is it being repositioned to or where is it being repositioned?
A: The No Bull repositioning.
Q: No. I mean, how do you describe the market that you're trying to reposition it for?
A: I would say it's for – I think it's 21 to 34 adult competitive smokers and Winston smokers 21 plus.
Q: And the Vantage brand you said you've – how long have you attempted to reposition that?
A: They were working on it back in the '80s.

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We are not working on repositioning it now.
Q: And what about Salem?
A: We are still working on Salem.
Q: Are you about to launch a new campaign for Salem?
A: We have a campaign in test market.
Q: Is this the campaign that features you on some of the ads?
A: No.
Q: No?
A: (Witness shakes head.)
Q: How long has Reynolds been working on repositioning Salem?
A: I think for as long as I've been with the company.
Q: Also 16 years?
All right. The Camel repositioning, how long did that take?
A: Well, they have been working on Camel long before I got there, so I don't know exactly how long.
Q: Do you have an idea?
A: Years; but I couldn't say how many.
Q: Does it go back to the early '70s?
A: It might. I mean, I'm just not really sure.

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Q: You just don't know?
A: I don't know.
Q: I have seen references to the Camel 1978 relaunch. Do you have an understanding of what that is?
A: You know, generally. I don't know many specifics about it.
Q: What can you tell me about it?
A: I think that back in 1978 they were looking to reposition Camel, and that may have been maybe when they brought out the World Campaign, the Bob Beck Campaign; I'm not really sure. And they introduced different packaging, I think, and some new styles.
Q: Do you know if that – if the relaunch met with any success in the market?
A: I think it met with some success; but, ultimately, it was determined not to be successful, because the brand was still looking for a repositioning. When I was there, it was considered a problem even then.
Q: And by – when you say "when I was there," are you referring to your very first –
A: Yeah, the first time, when I was an assistant brand manager.

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Q: And that goes back to the early – I'll get a date for you.
A: Mid '80s.
Q: 1984/'85. Immediately following the More brand.
A: Uh-huh.
Q: When you were there in '84/'85, what was the campaign that was running at that time?
A: The Bob Beck/World Campaign.
Q: What exactly do you mean by "World Campaign"?
A: It was this – this lone guy, and he had curly blond hair; his name was Bob Beck. And that model appeared in every ad, and he was doing adventurous, outdoor kind of stuff.
Q: How long did the World Campaign run?
A: I'm not really sure. I don't know when it exactly started.
Q: It continued right through the beginning of the Joe Camel campaign?
A: Yes – well, the beginning of the 75th Birthday campaign.
Q: Right. Which means 1988?
A: It ran – I think it still ran in 1987. I don't believe it ran at all in 1988.

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Q: All right. The Beck campaign, it sounds as if it were running basically from at least 1978, if I understand you, through '88, about a ten-year run?
A: I'm not really sure when it started. I don't know if it started in 1978 or not. I'm not really sure. I think it might have, but I don't really know.
Q: Do you know when it was determined that the campaign was not working the way Reynolds wanted it to?
A: When I was there in 1984/'85, I knew that there was concern about it then. But I don't really know exactly when it was determined, no.
Q: Do you know why the campaign wasn't just dropped in '84/'85?
A: Well they were looking for other campaigns, but ...
Q: But not finding anything?
A: Well, I think that's right.
Q: Can you tell me some of the things that they were looking for?
A: No. I wasn't really working on advertising development for a new campaign at that time. So – I may have seen some of them but I don't really recall any, specifically.

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Q: What – what exactly was the problem with the Beck campaign or the World Campaign?
A: I think the best way to describe it is that adult smokers saw it as sort of a bad imitation of Marlboro.
Q: Anything else?
A: Yeah. I mean, when I say that, what I mean is Marlboro stood for masculinity and independence, and this campaign was trying to do the same thing and just not as well.
Q: When you talk about a "bad imitation of the Marlboro campaign," one thing we've not really established here is what Camel competes against. Is it only Marlboro?
MR. WILLIAMS: Now or when they repositioned it?
MR. SHONKA: In the repositioning.
THE WITNESS: I think the key brand is Marlboro. But certainly Camel has the potential to switch smokers who, at least back then, were non-menthol smokers. I would say, all non-menthol adult smokers.
BY MR. SHONKA:
Q: Does that include full – well, low tar?
A: Yes. Adult smokers of low tar styles, yes.

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Q: Camel's considered – is Camel considered a low tar cigarette?
A: No. It's – it has lower tar styles, like almost all brands do now.
Q: But in '87 it did not?
A: Yes, it had light styles then.
Q: Okay. You were with Camel in October '84 to August of '85. During that time there was some initial testing with what was called the French Camel. Are you aware of that?
A: I have seen it in the course of litigation; I was only aware of it because of that.
Q: Do you have a definition of the French Camel or an understanding of what was meant by the French Camel?
A: I think that the French Camel is that one poster of the head of the camel smoking.
MR. SHONKA: If I could have a document marked as the next exhibit.
John, I'm not going to make multiple copies available. I understand this was put out in the Nassar deposition last week.
(Beasley Deposition Exhibit No. 10 was marked for identification.)
MR. WILLIAMS: That's the French Camel

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poster, right?
MR. SHONKA: That – well, I want the witness to –
MR. WILLIAMS: Oh, I'm sorry. I didn't know that there was some mystery here.
MR. SHONKA: You're giving things away again.
For the record, Beasley Exhibit 10 is marked with the Bates number SN000367. It is a copy of a poster that – what appears to be a camel, breaking out of a Camel pack of filter cigarettes and smoking a cigarette.
MR. WILLIAMS: Well, at least we know it's not Bob Beck.
THE WITNESS: That's true.
BY MR. SHONKA:
Q: Ms. Beasley, have you seen Beasley Exhibit 10 previously?
A: Yes.
Q: And is that the French Camel?
A: Yes.
Q: Okay. Have you seen or are you aware of other variations on Beasley Exhibit 10 that were in use at Reynolds or in Reynolds in 1984?
MR. WILLIAMS: Can you help us with

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"variations"?
MR. SHONKA: Actually, I can't.
BY MR. SHONKA:
Q: Can you answer that?
A: Well – I mean, no. I don't know what you mean. I mean, certainly this wasn't used with French copy, if that's what you mean.
Q: Is Beasley Exhibit 10 the only version of the camel – the French Camel, as it was used in France, that you're aware of?
A: I don't know what was used in France.
Q: Okay. Maybe the way around this is: Could you tell me or describe for the record your understanding of what Beasley Exhibit 10 is.
A: This – my understanding is that this was a poster that was used in France maybe in the '70s.
Q: All right. And is it your understanding that Beasley Exhibit 10 became – was the basis for the American version of the French – of what ultimately became Joe Camel?
A: It was the starting point for developing a Joe Camel campaign. The 75th Birthday campaign first and then a sustaining campaign.
Q: All right. It was the starting point.
Was there any other rendition of a camel

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that was used in starting the Joe Camel campaign?
MR. WILLIAMS: I'm going to object. It's vague. What are you – any other –
BY MR. SHONKA:
Q: If you can, answer it.
A: Really, I don't know what you mean.
Q: I'm only trying to find out if there are any other posters or any other artwork, besides Beasley Exhibit 10, that Reynolds used in developing the Joe Camel campaign.
A: In developing the 75th Birthday campaign, this rendition was the starting point. But of course we developed zillions of different ideas for the 75th Birthday campaign.
Q: In 1985 there were some focus groups that looked at the French Camel. Do you have an understanding as to whether Beasley Exhibit 10 was the Camel that was used for those focus groups in '85?
A: No, I don't believe it was. It was – if you look at that focus group report, it has attached. And they've obviously modified this substantially and shown it to groups.
Q: Do you have an understanding as to whether Beasley Exhibit 10 was the basis for the artwork in

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the document that you've just referred to?
A: I don't know if it was or not. I mean, I wasn't there; I didn't know about it. I've only seen it in the course of litigation. It seems reasonable it was, but I don't know.
Q: Do you have an understanding?
A: No, I do not.
Q: Any reason to think it was not?
A: I don't have any reason to think it was not, but I don't know.
MR. SHONKA: I'd like to have marked as Beasley Exhibit 11 a document that is – has previously been marked as CX-78. And it is an Established Brand Research Proposal, MDD number 85-13202.
(Beasley Deposition Exhibit No. 11 was marked for identification.)
BY MR. SHONKA:
Q: Ms. Beasley, could you take a look at Exhibit 78 and tell me – I mean, I'm sorry, Beasley Exhibit 11 and tell me if you can identify it for the record.
(Witness reviews document.)
A: All right, I've looked at it.
Q: Can you identify it?

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A: No.
Q: You've not seen it before?
A: No.
Q: Does Beasley Exhibit 11 refresh your recollection as to any work with the French Camel at the time that you were an assistant marketing manager –
A: No.
Q: – for the Camel brand?
A: No.
Q: I'd like to draw your attention to the first paragraph of the text where it says: (Reading)
Due to the growing importance of younger adult smokers, Camel has developed a campaign which is directed solely towards the younger adult group.
Do you have any idea what is referenced by a campaign that is directed solely towards the younger adult group in 1984?
A: No.
Q: In 1984, the Beck campaign was running – the World Campaign was in place?
A: That's right.

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Q: And was running?
And - all right.
MR. SHONKA: I'd like to have another exhibit marked. The next exhibit will be Beasley 12. It has been previously marked as CX-79 in the underlying proceeding. It is a - labeled as a Confidential Marketing Research Report, dated February 1, 1985 from Alicia Nance Mitchell to Mr. R.T. Caufield.
(Beasley Deposition Exhibit No. 12 was marked for identification.)
BY MR. SHONKA:
Q: Ms. Beasley, would you please take a moment to - or as long as you need, to look at Exhibit 12 and tell me if you recognize that document.
A: I've seen it in the course of litigation only.
Q: Would you take a few minutes to review it and tell me if the document refreshes your recollection as to having been involved at all in work with the French Camel in 1985.
A: I was not involved with this campaign development. I did not see the report. I didn't know what went on. I saw this document in the course of litigation.

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Q: Okay.
MR. WILLIAMS: I don't think she's testified as she can't recall. She said she wasn't involved in it. So this is not a recollection refresher.
MR. SHONKA: Thank you. I stand corrected.
BY MR. SHONKA:
Q: Your testimony is that you were not involved at all in the French Camel while you were an assistant marketing manager?
A: No. What I said was that, relative to this campaign work, I was not aware of it, I was not involved with it, and I was not aware of this document until the course of litigation.
Q: Okay. Did you attend any focus groups - apart from Exhibit 12 - 11 and 12, did you attend any focus groups that dealt with the French Camel during that period?
A: I don't recall any.
Q: Does that mean you might have attended some?
A: I mean, it's possible. I didn't attend this set of groups; I didn't see this report. But I don't recall any.
Q: In the 1985 period - or in 1985, did you attend focus groups as assistant - in your role as

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an assistant marketing manager for Camel?
A: Yes. Sometimes.
MR. WILLIAMS: I'm sorry. What was the last question and answer?
Did she attend focus groups?
COURT REPORTER: (Reporter nods head.)
MR. WILLIAMS: Okay.
BY MR. SHONKA:
Q: Do you recall any of the focus groups?
A: Not specifically, no.
Q: Do you have a general recollection of any of the focus groups?
A: Again, just that I - no, I don't recall any specifics, but I probably attended some focus groups while I was on the Camel brand.
Q: When you were an assistant marketing manager for the Camel brand in '84 and '85, the - your resume, if I - and if you want to follow this on Beasley Exhibit 3.
MR. WILLIAMS: That one's 3.
BY MR. SHONKA:
Q: Your responsibilities are listed as promotion development, product development, direction, budget, special projects. Were there any other responsibilities that you recall, other than

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those listed?
A: No, those would be it.
Q: As promotion - in what capacity have you participated in focus groups as the assistant -
A: Probably on product or promotion.
Q: What promotions did Camel run during the period that you were an assistant brand manager?
A: I don't recall the specific promotions. I'm sure we had retail promotions. You know, like probably media promotions, like FSIs, you know, just - I don't recall exactly.
Q: Anything dealing with the French Camel?
A: I think that we may have had under development a French Camel T-shirt promotion.
Q: Okay. Anything else?
A: I don't - I mean, again, I'm sure we had FSIs and retail promotions, that sort of thing.
Q: Well, dealing with the French Camel?
A: No, I don't remember.
Q: You said a T-shirt promotion. Were you involved in the T-shirt promotion at all?
A: I remember - you know, I left the brand. But I think the thinking about it had been started when I was there.
Q: Did you work on it at all?

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A: I remember the promotion group working on the idea.
Q: And that includes you?
A: When I say "the promotion group," I meant the marketing services group was coming up with the idea, so I had discussions with them.
Q: All right. So in '84/'85, do I understand you to say that you had discussions with the services group regarding a French Camel promotion?
A: T-shirt promotion.
Q: T-shirt promotion. All right. When was that?
A: When you just said.
MR. WILLIAMS: '85.
BY MR. SHONKA:
Q: I mean, as precisely as you can recall.
A: In 1985.
Q: Who was involved in promotions on the T-shirt?
A: I don't remember the promotion people's names then.
Q: How were the focus groups set up for that – for the T-shirt?
A: I don't know if we even had focus groups. I can't remember specific focus groups on that.

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Q: If there were – would you please take a look back at Beasley Exhibit 78 – I mean, Beasley Exhibit 11, I'm sorry. And you see there is an Established Brand Research Proposal MDD Number 85130 at the top?
A: Yes.
Q: If there was a focus group that dealt with the French Camel T-shirt promotion in 1985, would that necessarily have associated with it an MDD number of some sort?
A: It should, yes.
Q: Okay.
MR. WILLIAMS: And if there was one, I'm quite sure it would have been produced as well.
MR. SHONKA: I'd like to have another document marked.
MR. WILLIAMS: Are we done with 12?
MR. SHONKA: For the moment. Not done done.
MR. WILLIAMS: Done enough to move it into the done pile?
MR. SHONKA: Not yet.
I'd like to have another document marked as Beasley Exhibit 13. It's a document that has previously been marked as CX-80 in this proceeding. It's an Established Brand Research Proposal, MDD

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Number 85-13204.
(Beasley Deposition Exhibit No. 13 was marked for identification.)
BY MR. SHONKA:
Q: Ms. Beasley, would you please look at Exhibit 13 and tell me if you have seen that exhibit before.
(Witness reviews document.)
A: This looks like the same exhibit as 11. Is there some difference? 13204. I guess it has a different number.
No, I have not seen this before. I mean – no. It looks like the – almost the exact same document.
Q: Let me – if you'd look at Exhibit 11 for the moment.
A: Exhibit 11?
Q: Yes. Under the caption that says – under "Methodology," it refers to six focus groups are proposed to meet – actually, I'm sorry, strike that. Please look at Exhibit 12.
A: Twelve?
Q: Yes.
A: The focus group report?
Q: Yes, the focus group report.

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A: Okay.
Q: If you look at the first full page of text on Exhibit 12, you'll see the statement that the ads – it's the last sentence in that paragraph:
(Reading)
The ads that were shown consisted of six different themes with approximately three executions per theme. The findings of the focus group are summarized in this report.
Do you see that?
A: Yes, I do see that.
Q: And – if you look at the next page, the first full paragraph says: (Reading)
Of the six themes, "Go With It" and the "French Camels" appeared to attract the most popular attention.
A: I think it says "positive."
Q: Thank you, "the most positive attention." All right. If you'd set that aside and take a look at CX-80 – I mean, Beasley Exhibit 13.
A: Yes.

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Q: The first - the second paragraph under "Background" it says: (Reading) Earlier, six versions of the Younger Adult Campaign were taken to focus groups in Boston. Two of the six versions appeared to attract the most positive attention among the respondents. Following these groups, further refinements were made by the agency, which management is interested in testing.

A: Uh-huh.

Q: Does Beasley Exhibit 80 - do you understand Beasley Exhibit 13, I'm sorry, to be a followup on a focus group of the two groups that were referenced in Exhibit 12?

A: Don't know. I've never - you know again, I've only seen these in the course of litigation, so I don't really know. I have no way of knowing.

Q: Have you seen Beasley Exhibit 13 before?

A: No.

Q: Not even in the course of litigation?

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A: No, I don't remember seeing it in the course of litigation.

Q: Do you recall any discussions concerning the focus groups that took place with the French Camel following the Alicia Nance Mitchell document, which is Exhibit 12?

A: No.

Q: Did you participate in any focus groups, that you recall?

A: No.

Q: Do you know who Gary Bell is?

A: I'm sorry?

Q: Gerry Bell?

A: Gerry Bell? A focus group moderator.

Q: Have you ever worked with him?

A: Yes.

Q: When?

A: Many different brands, over time.

Q: Did you work him when you were the assistant marketing manager for Camel?

A: I just don't recall.

Q: Just one further question before we ...

MR. WILLIAMS: What's this, number 13?

MR. SHONKA: Fourteen.

Go ahead and mark that, please.

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(Beasley Deposition Exhibit No. 14 was marked for identification.)

BY MR. SHONKA:

Q: For the record, Beasley Exhibit 14 has been previously marked as CX-905. It is a memo dated March 11, 1985, from Mr. J.T. Winebrenner. The subject is the "Funny French Camel."

Ms. Beasley, would you please take a few moments to look at Exhibit 905 - I mean, Exhibit 14, I'm sorry, and tell me if you've seen this document before.

(Witness reviews document.)

A: No, I haven't.

Q: Does your view - or review of Exhibit 14 at all refresh your recollection about any work that you may have done with the French Camel in the 19 - in early 1985?

A: No.

Q: Mr. Caufield was your supervisor at that time, was he not?

A: Yes.

Q: Did he ever discuss the French Camel with you, that you recall?

A: No.

Q: Mr. Winebrenner was brand manager at that

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time, above Mr. Caufield; is that right?

A: Yes.

Q: Did you ever discuss the French Camel with Mr. Winebrenner?

A: At this time?

Q: At that time.

A: No.

Q: Did you ever discuss it with him at all?

A: Well, certainly when we developed the Joe Camel campaign -

Q: Later?

A: Yeah, later.

Q: But not in the 19 - not when you were the assistant marketing manager?

A: Huh-uh. No.

Q: And just now, when you were referring to "later in Joe Camel," could you tell me about when you had conversations with Mr. Winebrenner about the French Camel?

A: In 1987.

Q: In 1987. During the planning of the birthday?

A: That's correct.

Q: Do you, by the way, looking at Exhibit 14, know who James S. Carpenter is?

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A: I believe he worked in Tobacco International, our international company.
Q: In Winston-Salem?
A: I think at that time our international company was either headquartered in Winston-Salem or had some staff in Winston-Salem. But I'm not sure if he was in Winston-Salem or not at that time. I just don't – I don't know.
Q: Did you know him at all?
A: I – I had met him. I mean, I didn't know him well. I had met him.
Q: At that time?
A: I don't remember exactly when. But I know I've met him.
Q: All right.
MR. SHONKA: I'd like to have the next exhibit marked as Beasley Exhibit 15.
(Beasley Deposition Exhibit No. 15 was marked for identification.)
It is a memo that has been previously marked as Exhibit 904. It is dated March 5, 1985. It is a memo to Mr. J.T. Winebrenner from James S. Carpenter. The subject is "Funny French Camel Design."

BY MR. SHONKA:

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Q: Ms. Beasley, would you please take a few moments to look at Exhibit 15 and tell me whether you've seen it before.
A: I've seen this in the course of litigation.
Q: Not otherwise?
A: No.
Q: All – you indicated that Mr. Carpenter, you believe was with Tobacco International at that time?
A: I think so.
Q: Mr. Hoult, I see he has a cc at the bottom of Exhibit 15, P.J. Hoult. Do you see that?
A: Yes.
Q: I will simply represent for the record that Reynolds has told us at this time, 1985, March 5th, he was the executive vice-president for marketing of RJRTI. That's Tobacco International?
A: Yes.
Q: Okay. Did you later know Mr. Hoult in any other capacity than as – than in his position at Tobacco International?
A: I did not know him here. But later he became executive vice president of marketing at Domestic.
Q: Domestic. Do you know where he was before he came to Domestic?

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A: He was with our international company.
But –
Q: You don't know where?
A: No.
Q: Do you know what year he came to Domestic?
A: I can't remember exactly what year.
Q: Did you ever have any discussions with Mr. Hoult about the French Camel?
A: At this time, you mean?
Q: At any time.
A: Certainly not at this time; I didn't know him. When he became head of marketing, I may have talked to him about the Joe Camel campaign. I don't ever remember having any recollection of speaking with him about the French Camel poster, no.
Q: Okay. And Mr. Caufield was, again, your supervisor at the time on March 5, 1985?
A: That's correct.
Q: Do you know who S. P. Brown from McCann Erickson is?
A: It doesn't ring a bell, no.
MR. SHONKA: I'd like to have another exhibit marked, as Beasley Exhibit 16.
Exhibit 16 has been previously marked as

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CX-81. It is a memo dated May 24, 1985, from Susan C. Nassar to Mr. Rick T. Caufield. It's called Marketing Research Report.
(Beasley Deposition Exhibit No. 16 was marked for identification.)

BY MR. SHONKA:

Q: Ms. Beasley, would you please take a few moments to look at Beasley Exhibit 16 and tell me if you've seen that document before.
(Witness reviews document.)
A: I have two copies of it.
Q: No charge for the second one.
A: No, I have not seen this before.
Q: Ms. Beasley, could you take a moment to look at Exhibit 16. And I will represent for the record that there is no reference in this document, in the exhibit, to the French Camel. But would you please take a look and verify that, and see if you see any reference to the French Camel?
A: You want me to read the whole thing to see if I can find it?
Q: If you see any reference to it. I do not. I have not found any.
MR. WILLIAMS: Not Joe Camel; French Camel, right? Is that right, David?

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MR. SHONKA: I think this predates Joe.
MR. WILLIAMS: Okay.
(Witness reviews document.)
MR. WILLIAMS: I was trying to figure out when we were going to get to Joe.
I'm just curious why we have to do this with this witness. Susan Nassar was deposed last week. Couldn't we have found out then whether or not this dealt with the French Camel? She wrote this document.
MR. SHONKA: Well, in the interest of saving time, I will – I guess I believe –
MR. WILLIAMS: Well, either it does or it doesn't. This witness can read just as well as everybody else can read and Ms. Nassar can interpret.

BY MR. SHONKA:

Q: Do you see any reference to the French Camel?
A: I'm only through the first couple of pages. I have to read it if I'm going to ask the – answer the question.
Q: Okay.
(Witness reviews document.)
MR. SHONKA: While the witness is looking at

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that, could we go off the record for a minute?
MR. WILLIAMS: Sure.
(Discussion off the record.)
THE WITNESS: I did not see any reference to the French Camel in this document.

BY MR. SHONKA:

Q: Ms. Beasley, this document is for the record, Beasley Exhibit 16?
A: Sixteen.
Q: Did you participate at all in the focus groups on the subject of Beasley Exhibit 16?
A: No. I don't recall doing that.
Q: Do you recall discussing the Camel campaign or the Camel advertisements with anybody in that period? The period addressed by Exhibit 16.
A: You mean the stuff that's in here?
Q: Yes.
A: No, I don't recall any discussions on that.
Q: Okay. Regarding any other advertising?
A: Oh, I'm certain we had discussions about the Bob Beck Campaign. That was our campaign that was running.
Q: Is Bob Beck the subject at all of Exhibit 16?
A: Well – not really. I don't think so. I

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mean, I can't say that – did it ever reference it? I think there were made some references to Bob Beck, maybe, but it's not really the subject of it, I don't think.
Q: Okay. The focus of Exhibit 16 is adverse – advertisements that are not camel – not French Camel and are not Bob Beck; is that correct?
A: That's the sense I got for it. I mean, I – you know, I haven't studied this, but, yes.
Q: All right. This document – Exhibit 16 is dated May 1995; is that correct?
MR. WILLIAMS: 1985.
MR. SHONKA: '85. 1985.

BY MR. SHONKA:

Q: Is that correct?
A: Yes – did you say May 22nd, 1985?
Q: "May" is what I said.
A: Oh, May.
Q: May 22nd, 1985.
A: (Witness nods head.)
Q: All right. My – Exhibits 11 and 12 are the proposal and the focus group report relating to Alicia Nance Mitchell –
MR. WILLIAMS: Well, that's your conclusion.
MR. SHONKA: Well, that's a statement of

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fact. It's there.
MR. WILLIAMS: Well, wait. We don't – that may be, but you haven't got that with this witness. So ask a question with foundation.

BY MR. SHONKA:

Q: Do Exhibits 11 and 12 – are they related to each other?
A: I don't know. Do they have the same number or something somewhere? I mean – I mean, I don't know if this was written to do this set of groups or not.
Q: Could you look at the MDD numbers on both documents, please.
MR. WILLIAMS: Could you direct her? She asked if they had the same number.

BY MR. SHONKA:

Q: Do you have Exhibits 11 and 12 before you right now?
A: Yes. Yes, they do have the same number.
Q: They are related to each other?
A: Well, I would assume, since they have the same number, they are. I mean, I don't have any more knowledge than that.
Q: And they're respectively dated in late January and early February of 1985? I believe the

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date on 11 is on the last page.
A: Where do you see the date on this one?
Q: In the signature blocks.
A: Well, when people signed it, it looks like January of '85. And this is February of '85.
Q: And 12 is February of '85?
A: Yes.
Q: And Exhibit 13 is dated February of '85?
A: People have signed it in February of '85, it looks like.
Q: And that is a request for further – Exhibit 13 is a request for further focus groups to be conducted on two campaigns that earlier showed promise. Is that a correct statement?
A: That's what this says.
Q: All right. If you take a look at Exhibits 904 and 905.
MR. WILLIAMS: Wait.
MR. SHONKA: I'm sorry. Exhibits 14 and 15.
MR. WILLIAMS: Fourteen and 15 is the European stuff?
MR. SHONKA: Winebrenner memos.
BY MR. SHONKA:
Q: And those reflect memos to Mr. Winebrenner concerning the French Camel; is that correct?

A: To Mr. Winebrenner regarding French Camel. Yes, they both say that.
Q: Given Exhibits 11, 12, 13, 14 and 15 and then Exhibit 16, which makes no reference to the French Camel in May, do you have any understanding as to why there would not have been any French Camel ads currently being developed in late May?
A: Don't know. I mean, again, I wasn't aware of any of this. I've only become – I've only read what I've read here. So ...
Q: If a campaign – if focus groups reject a campaign, is it customary for Reynolds to drop – let me back up.
If the research report indicates that there are marketing policy problems with an ad campaign, is it likely that Reynolds would have dropped the campaign?
A: Not necessarily. It depends on the problem: Is it fixable or not? Can you modify it? Can you fix what's wrong?
I mean, you don't drop an idea because you find a problem with it, you work through it. You say: Can you fix the problem? Can you solve the problem? Can you get rid of the problem?
Q: Are you aware of – and you're not aware of

any work on the French Camel in this time period?
A: Again –
MR. WILLIAMS: She wasn't –
MR. SHONKA: In 1985.
THE WITNESS: Again, I wasn't aware of any of this, I didn't work on it. I wasn't involved with it. So I can't tell you about it.
MR. SHONKA: Should we go off the record? It's about 13 of. Why don't we call it a day?
MR. WILLIAMS: We're happy to break whenever – whenever you would like to.
MR. SHONKA: This is the logical place to break. We have other things coming.
(Deposition adjourned at 4:47 p.m.)

CERTIFICATION O F REPORTER

DOCKET/FILE NUMBER: D09285
CASE TITLE: R. J. REYNOLDS TOBACCO COMPANY
HEARING DATE: June 15, 1998

I HEREBY CERTIFY that the transcript contained herein is a full and accurate transcript of the notes taken by me at the hearing on the above cause before the FEDERAL TRADE COMMISSION to the best of my knowledge and belief.
DATED: June 16, 1998

LINDA N. RUSSEL

CERTIFICATION O F PROOFREADER

I HEREBY CERTIFY that I proofread the transcript for accuracy in spelling, hyphenation, punctuation, and format.

CRYSTAL WENDT

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CERTIFICATE OF DEPONENT

I hereby certify that I have read and examined the foregoing transcript, and the same is a true and accurate record of the testimony given by me.

Any additions or corrections that I feel are necessary, I will attach on a separate sheet of paper to the original transcript.

I hereby certify that the individual representing himself/herself to be the above-named individual, appeared before me this

_____day of _____, 1998, and executed the above certificate in my presence.

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MY COMMISSION EXPIRES:

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WITNESS: Lynn Beasley, Volume I
DATE: June 15, 1998
CASE: D09285

Please note any errors and the corrections thereof on this errata sheet. The rules require a reason for any change or correction. It may be general, such as "To correct stenographic error," or "To clarify the record," or "To conform with the facts."

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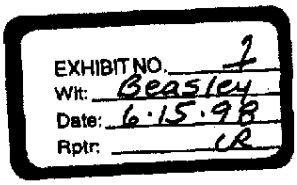
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580



Division of Advertising Practices

David C. Shonka
Direct Dial
202-326-2636

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June 1, 1998

John B. Williams, Esq.
Collier, Shannon, Rill & Scott, PLLC
3050 K Street, N.W., Suite 400
Washington, D.C. 20007

By Facsimile Transmission

Re: *In the Matter of R.J. Reynolds Tobacco Co.*, Docket 9285

Dear John:

This is a follow up to the discussions that we had last Friday with Judge Timony and that Dave Frankel and John Villafranco had later in the day concerning ways in which the depositions might be shortened. It seems to me that each of the depositions could be shortened somewhat if sufficient information were made available to us at least a day or so before the deposition takes place. (Obviously in the case of Diane Burrows' deposition, which is scheduled for tomorrow, that deadline cannot be met and the information would therefore need to be supplied at the beginning of the deposition.) Specifically, I believe that prior disclosure of the following information would be useful and would short cut the need for extended questioning on the points covered.

1. The identity of each the person that the witness has talked to concerning the deposition, and the amount of time spent with each person in such discussions.

2. The documents that the witness has reviewed in preparing for the deposition.

3. Basic personal information about each person, including the deponent's educational background (including schools, undergraduate majors, and areas of concentration in the case of graduate studies), prior job experiences, prior convictions (I know this is unlikely, but if there are any, we should know about them), and personal information sufficient to give us some sense of the deponent's interests and personality.

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4. As to any relatives of the deponent, who work or have worked at Reynolds (by Reynolds I here include all subsidiaries and affiliated companies), we would like to know that person's position(s), basic responsibilities, and of course, relevant dates.

5. As to each deponent, we believe the depositions could be made much shorter, if you inform us of each position the deponent has held at Reynolds, the brand(s) that the deponent worked with in each position, his or her basic responsibilities in that position, the deponent's supervisor as well as that supervisor's supervisor, the identity of all persons who reported to the deponent, and, of course, the pertinent dates for each bit of information. Thus, for example, for deponent Mary Doe, you might inform us that she was an assistant brand manager for Camel cigarettes from May 1, 1990, to June 15 1993; that for the first six months of that period she reported to John Smith, the Camel and Winston brand manager, and for the rest of the period she reported to Jane Smith, who replaced John Smith as brand manager for Camels and Winston; and that both John Smith and Jane Smith reported to Joe Doe, who was the Vice President for Marketing during the entire period. This information, together with a statement of the deponent's responsibilities and the identity of the persons who were directly supervised by the deponent should be most helpful.

6. Additionally, for each deponent we should know the circumstances that attended each change in job position, including whether each change was a lateral move, a promotion, or demotion.

As I indicated to Judge Timony, I think these are good suggestions that you had for shortening the depositions and I look forward to trying this procedure.

Sincerely,

David C. Shonka

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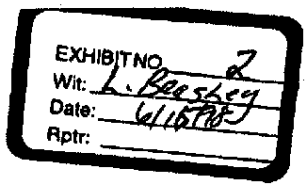

Lynn J. Beasley

Date	Title
7/82-12/82	Marketing Assistant - NOW Brand
1/83-1/84	Marketing Assistant - SALEM Brand
2/84-10/84	Asst. Brand Manager - MORE Brand
10/84-8/85	Asst. Brand Manaager - CAMEL Brand
9/85-12/86	Brand Manager - CENTURY Brand
1/87-5/87	Senior Brand Manager - CENTURY/BRIGHT/ DORAL/STERLING/MAGNA
6/87-4/88	Senior Brand Manager - CAMEL
5/88-7/89	Director - Special Markets
8/89-7/91	Vice President - Strategic Marketing Planning
8/91-6/93	Vice President - WINSTON BU
7/93-6/95	Senior Vice President - WINSTON/CAMEL BU
7/95-10/97	Senior Vice President - Brands
11/97-	Executive Vice President-Marketing

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EXHIBIT NO. 3
Wit: L. Beasley
Date: 6/15/98
Rptr:

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Produced by Michael Pertschuk

June 10, 1998

VIA FACSIMILE

David C. Shonka, Esq.
Division of Advertising Practices
Federal Trade Commission
601 Pennsylvania Avenue, N.W.
Suite S4002
Washington, D.C. 20580

Re: *In Re R.J. Reynolds Tobacco Company*, Dkt. No. 9285

Dear Dave:

This letter sets forth the information requested in your letter dated June 1, 1998 with regard to Lynn J. Beasley, Executive Vice President-Marketing, R.J. Reynolds Tobacco Company. Please note that the information identifying supervisors for each of the 13 positions held by Ms. Beasley during her employment with the company is provided to the best of her recollection.

1. On June 2, 1998, Ms. Beasley met with Guy Blynn, Assistant General Counsel, R.J. Reynolds Tobacco Company, Steve Kascinsky of Jones Day Reavis & Pogue, and John B. Williams and John E. Villafranco of Collier, Shannon, Rill & Scott concerning her deposition. (Andrew Schindler, Doug Weber, and Cal Faino attended the meeting separately for approximately 15 minutes each.) This meeting lasted approximately three hours. I also spoke with Ms. Beasley on June 9 and 10, 1998 to confirm the information provided in this letter.

2. In preparation for her deposition, Ms. Beasley reviewed the deposition transcript of David Iauco, including the accompanying exhibits.

3. Personal information

   a. Educational background: graduated from Richland Center High School in 1975. Associates Degree, University of Wisconsin Center- Richland Community College

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1979. Bachelors of Arts, Business, 1981, University of Wisconsin-Madison. Masters in Business Administration, 1982, University of Wisconsin-Madison.

b. Post-graduate job experience: See below.

c. Prior convictions: None

4. Related Reynolds employees: Paul Breininger (nephew), B1G1F Operations, O/Coupon Redemption Center. (3/30/92 to 11/10/92).

5. Employment history at Reynolds:

a. Marketing Assistant - Now Brand (7/82 to 12/82)

- Responsibilities: Reviewed budget and production estimates, attended focus groups, met with advertising agency personnel.
- Supervisors: Jay Tobin, Dan Murphy

b. Marketing Assistant - Salem Brand (1/83 to 1/84)

- Responsibilities: Reviewed budget and production estimates, attended focus groups, met with advertising agency personnel, media plans, product development direction.
- Supervisor: Ken Neher

c. Asst. Brand Manager - More Brand (2/84 to 10/84)

- Responsibilities: Assisted in the development of advertising, packaging, and promotions for the More brand.
- Supervisors: Steve Strawsberg, Alan Sterling

d. Asst. Brand Manager - Camel Brand (10/84 to 8/85)

- Responsibilities: Promotion development, product development direction, budget, special projects.
- Supervisor: Rick Caufield

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e. Brand Manager - Century Brand (9/85 to 12/86)

- Responsibilities: Supervised and directed marketing activities relating to the Century brand.
- Supervisor: Rick Sanders

f. Senior Brand Manager - Century/Bright/Doral/Sterling/Magna (1/87 to 5/87)

- Responsibilities: Supervised and directed marketing activities relating to Reynolds value brands.
- Supervisor: David Iauco

g. Senior Brand Manager - Camel (6/87 to 4/88)

- Responsibilities: Supervised and directed all marketing activities relating to the Camel brand.
- Supervisors: David Iauco, Rick Sanders

h. Director - Special Markets (5/88 to 7/89)

- Responsibilities: Supervised and directed marketing activities for all Reynolds brands in Hispanic, African-American, and Military markets.
- Supervisor: Larry Hall

Vice President - Strategic Marketing Planning (8/89 to 7/91)

- Responsibilities: Supervised and directed strategic planning, new brand activities, and special market activities.
- Supervisor: David Iauco

j. Vice President - Winston Business Unit (8/91 to 6/93)

- Responsibilities: Supervised and directed all marketing activities relating to the Winston brand.
- Supervisor: David Iauco

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k. Senior Vice President - Winston/Camel BU (7/93 to 6/95)

- Responsibilities: Supervised and directed all marketing activities relating to Winston and Camel brands.
- Supervisor: David Iauco

l. Senior Vice President - Brands (7/95 to 10/97)

- Responsibilities: Supervised and directed marketing activities relating to Winston, Camel, Salem, Vantage, More, and Now.
- Supervisors: David Iauco, Jim Schroer

m. Executive Vice President - Marketing (11/97 to present)

- Responsibilities: Supervised and directed marketing activities for all Reynolds brands.
- Supervisor: Andrew Schindler

6. The following changes in position were lateral: (a) Marketing Assistant for Now to Marketing Assistant for Salem (1983); (2) Assistant Brand Manager for More to Assistant Brand Manager for Camel (1984); (3) Senior Brand Manager for Century/Bright/Doral/Magna/Sterling to Senior Brand Manager for Camel (1987); (4) Vice President for Strategic Marketing Planning to Vice President for Winston Business Unit (1991); and (5) Senior Vice President for Winston/Camel to Senior Vice President for Brands (1995). All other changes in position were promotions.

A copy of the transcript of Ms. Beasley's deposition taken on May 21, 1998 in *State of Maryland v. Philip Morris, Inc.* will be forwarded to you later this week. Copies of transcripts of trial and deposition testimony in the following cases have been previously provided: *Minnesota v. Philip Morris, Engle v. R.J. Reynolds Tobacco Co., Keuper v. R.J. Reynolds Tobacco Co.*, and *Mangini v. R.J. Reynolds Tobacco Co.* In addition, affidavits concerning Ms. Beasley's work on the Joe Camel advertising campaign were submitted to the Federal Trade Commission in May 1994 and May 1997, prior to Ms. Beasley's meetings with the individual commissioners. Many of the issues raised in your June 1 letter (answers to which are provided above), as well as information relevant to the allegations in the complaint, are discussed at length in these transcripts and affidavits. In

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and affidavits. In accordance with our May 29, 1998 teleconference with Judge Timony, we expect that you will make use of this information to shorten the deposition.

Sincerely,

John E. Villafranco/ch

JOHN E. VILLAFRANCO

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EXHIBIT NO. 4
Wit: L. Beasley
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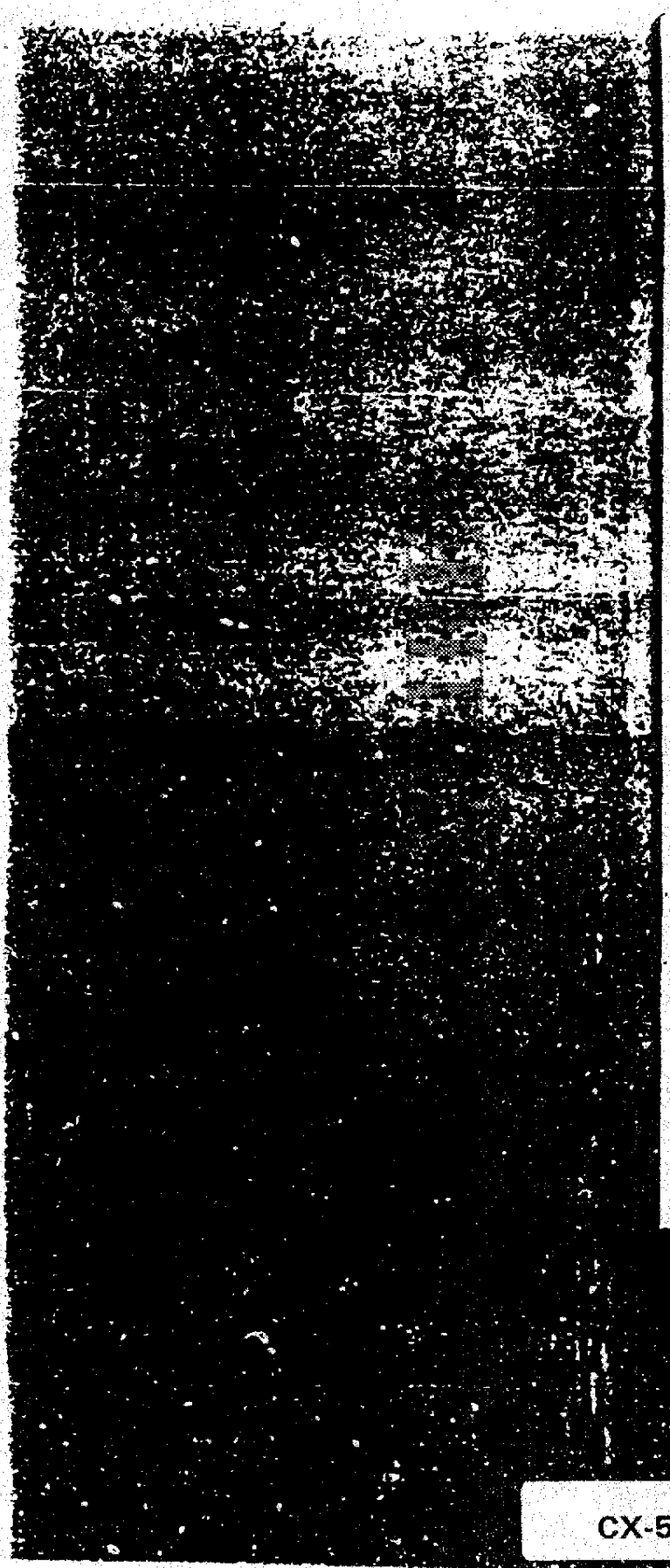
Rptr:



ORIENTATION MANUAL FOR NEW MARKETING PERSONNEL

5037a 0123
Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

DUST TRACE

RJR
R.J.Reynolds Tobacco Company

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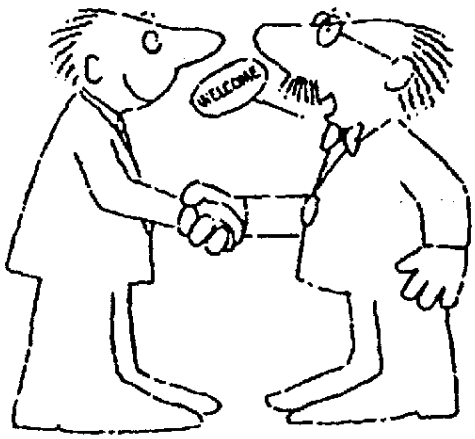
Introduction

On behalf of the Law Department of R.J. Reynolds Tobacco Company, welcome aboard!

Our giving you this manual marks the beginning of an important working relationship with the Company's lawyers — a relationship that will enable you to execute your ideas within the letter and spirit of the law.

There is a practice in our Company of seeking the advice of the Law Department early in the development of any matters that might have legal consequences. The Law Department, by signing off on an item, assumes the legal responsibility for it, i.e., that the idea, plan, communication, etc., is legally correct. As you see, we are here in your best interest — to be of service.



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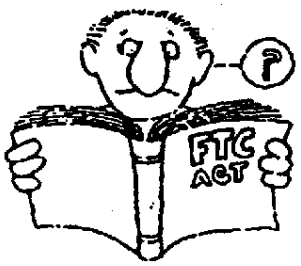
These materials need to be presented to us, if at all possible, well in advance of your production date. Often materials that, to you, may seem quite innocent pose important legal questions requiring discussion and/or research. In any event, we appreciate the courtesy of having sufficient time to give them the careful attention they deserve.

Incidentally, you will need to attach three copies of your advertising to the standard routing form when seeking legal approval.

B. Special Note on Surgeon General's Warning and "Tar" and Nicotine Legend

The Company is presently under 1972 and 1981 Consent Orders with the Federal Trade Commission requiring us to place the Surgeon General's Warning on all cigarette advertising. There are exemptions, among them being point-of-sale items with an advertising display area of 36 square inches or less, tobacco trade advertising, and



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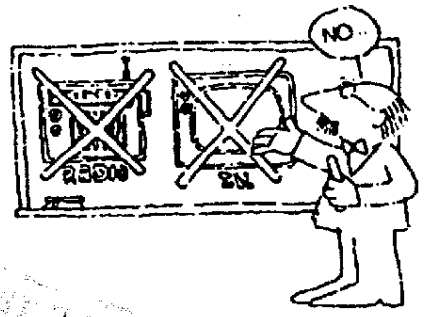
". . . [I]t shall be unlawful to advertise cigarettes and little cigars on any medium of electronic communication subject to the jurisdiction of the Federal Communications Commission." This means we may not advertise these products on radio or television.

2. Relating to all point-of-sale advertising -- many of you are already familiar with that section of the Robinson-Patman Act concerning discrimination in availability of advertising and promotional allowances and services. This is primarily a Sales Department matter; however, we suggest that you review again the R.J. Reynolds Tobacco Company Guide for Compliance with the Antitrust Laws.

D. Advertising and Section 5 of the Federal Trade Commission Act

Section 5 of the Federal Trade Commission Act declares unlawful all "unfair or deceptive acts or practices."



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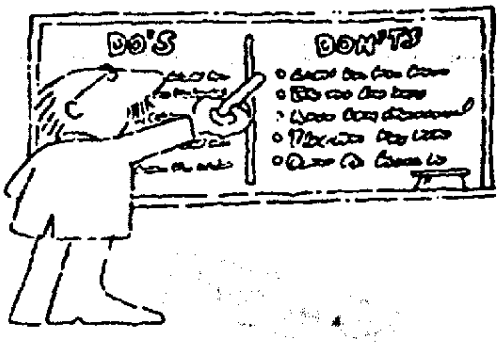
good or bad for the consumer. In this regard, you may be interested in examining materials regarding the smoking and health controversy. We will be happy to make these materials available or discuss this important issue with you.

2. Don't talk about amounts of consumption of our products in ads.

3. Do confine your advertising and promotional appeals to adults. Sample cigarettes distributed via street intercept are given only to smokers 21 years of age or older. In environmental sampling (i.e., "carded" bars and clubs), we do not ordinarily ask for proof of age because we know that the people there are at least 18 years old. We do not promote or advertise cigarettes on college, trade school, high school and other like campuses. Regardless of the fact that a person can vote and join the service at 18, we restrict



Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.
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requiring stamina or athletic conditioning beyond that of normal recreation.

8. Do check with the Law Department if a model you want to use appears to be under 25 years old.

9. Do discuss with the Law Department at the concept stage any ad campaign that might state or imply health representations (which we must not make).

F. Various Other Problems that Should Be Discussed with the Law Department

The following items present special problems that have been addressed by the Federal Trade Commission. The Law Department is always happy to provide counsel on these and other subjects.

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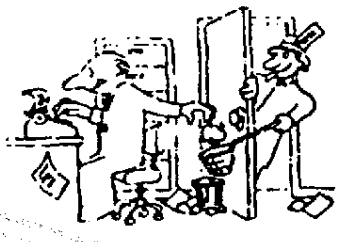
Conclusion

During the course of your career at R J Reynolds Tobacco Company, you will be writing a variety of letters, plans, memoranda, and rough notes. All written materials, whether internal or external, confidential or non confidential, should be drafted as if they might be printed the next day on the front page of a nationally known newspaper. We would also suggest that much of your business can be communicated orally and that the Company's Record Retention policy be faithfully observed.

As your Company's lawyers, we have a genuine stake in many projects with which you are involved. We think like businessmen as well as like lawyers; therefore, we want to explore with you creative solutions to the issues before us. If one approach looks legally troublesome, perhaps we can together come up with another way to accomplish the same goal. After all, that's the point -- to accomplish lawfully what we set out to do.

We look forward to working with you in the years to come.



Tom Rucker

Tom Rucker
Counsel-Marketing/
Sales/Credit
R J Reynolds
Tobacco Company

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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Guide: http://www.industrydocuments.ucsf.edu/docs/phjl0001

EXHIBIT NO. 5
Wit: L Beasley
Date: 6/15/98
Rptr:

DRAFT
5/14/86

MARKETING ASSISTANT TRAINING MANUAL
(LAW DEPARTMENT)

PROPERTY OF RJRTC
Produced by RJR
In Litigation

I. Overview of the Law Department

The Law Department will work with you to assure that your advertising, promotions, and packaging are within acceptable risk parameters. The lawyers will advise on the nature of the risk, possible damages, and suggested alternative approaches that will obviate or minimize any risk.

A. Law Department Prime Contacts

1. Mike Johnson (7805)--Pricing, Public Issues

2. Tom Rucker (7384)--Review of advertising, packaging, and promotions

3. Rob Shaw (7382)--Contracts, Coupon Redemption Center

4. Wayne Luchatz (6378)--General Counsel

5. Guy Blynn (RJR Nabisco Legal Department 3-2681)--Trademark (together with Bob Rickert 3-2659)

B. The Law Department needs to give its input regarding advertising, packaging, and promotional ideas at the earliest stages, so that you will not expend considerable time, energy, and money only to find that there is a major legal problem with your idea.

II. General Advertising Considerations

The Company needs you to be aware of its position on the following topics that affect the marketing of our products:

A. <u>Youth</u>

The Company does not market its products to youth. We believe that smoking is an adult custom; therefore, we do not market our products to persons under 18 years of age, nor do we research persons under that age. The Code of Cigarette Sampling (see attached copy), to which we subscribe, states that sample cigarettes shall not be distributed in public places to persons under 21 years of age--we abide by this Code.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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B. Non-smokers

The Company has no interest in getting non-smokers to smoke. For this reason, neither our research nor our advertising concerns itself with non-smokers. Also, we have no interest in preventing someone from quitting cigarette smoking.

C. Health Representations

The Company wishes to make no health representations in its advertising, such as cigarette smoking (or smoking a particular brand or a certain component) is good or bad for the smoker. The smoking and health controversy continues. Until such time as we have answers from science to the presently unanswered questions, we do not choose to make health representations, express or implied, in our advertising. Nor do we choose to discuss the subject in strategic documents, etc. because such speculation might mislead the reader to think that we are operating on answers that do not as yet exist.

D. Documentation

The Company follows the maxim: Say what you mean and mean what you say. Documents should not be written that (a) speculate as to legalities or (b) deal with subjects that the Company has no interest in pursuing. Documents should be written as if (because the prospect is likely in many instances) they will be subpoenaed and reviewed by an opposing attorney. Documents are not to be retained longer than they are actually needed. Everyone should familiarize themselves with the RJRT records management policy and procedure.

E. Addiction

Some of our critics have charged that cigarette smoking is addictive. Scientific evidence to date does not warrant such a conclusion. This topic, of course, is not one that we wish to address in advertising.

F. Electronic Media

Ever since the so called "broadcast ban", the Company has sought no exposure for its brands on radio or TV and has no interest in pursuing this media, directly or indirectly.

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Produced by RJRTC
HIGHLIGHT

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3. Robinson-Patman Act--This has to do with price discrimination and the notion of providing proportionally equal allowances and services to competing customers.

C. Section 5 of the FTC Act--Your advertising/packaging/promotions need to be free of falsity or deception. All objective claims need to be supported by data that is gathered in a legally defensible manner (all such claims should be prior reviewed with the Law Department).

In reinforcement of some of the above considerations and to further acquaint you with how the Law Department functions vis-a-vis Marketing, you are encouraged to read the attached Law Orientation Manual for New Marketing Personnel.

:sbm

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Produced by RJRTC
in
HUMPHREY

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

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EXHIBIT NO. 6
Wit: L Beasley
Date: 6/15/98
Rptr:

RJR CONFIDENTIAL

New Brands and Strategic Research Report

December 18, 1984

TO: Mr. D. N. Iauco

FROM: Ms. L. H. Gerema

1983 PROFILE AND USUAL BRAND SHARE AMONG YOUNGER ADULTS

FINAL REPORT

COPIES TO:

Mr. E. J. Fackelman
Mr. G. J. Totterdale
Ms. M. H. Parham
Ms. G. G. Bethea
MDIC

PROPERTY OF R.J.R.R.C
produced by R.J.R.
in
HUMPHREY

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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PUBLISHED BY THE MARKETING DEVELOPMENT DEPARTMENT
R.J. REYNOLDS TOBACCO COMPANY, WINSTON-SALEM, N.C. 27102

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1983 PROFILE AND USUAL BRAND SHARE AMONG YOUNGER ADULTS

MANAGEMENT SUMMARY

Produced by RJR
Produced in Litigation

PURPOSE:

This report provides a review of company, segment, and key brand share of smoker performance for Year 1983 among 18-20 versus 21-24 year olds. Results are provided for total smokers within these age groups as well as among the subgroups of males, females, Blacks, and non-Blacks.

As this is the first time these data have been available among these two age groups, the intent of this report is to establish initial share benchmarks against which trends can be built over time. As updated information for Year 1984 will be available in late January, a follow-up report discussing share changes versus 1983 will be issued in February.

SUMMARY OF KEY FINDINGS:

- Of the major tobacco companies, only Philip Morris and Lorillard demonstrated overdeveloped shares among 18-20 and 21-24 year olds, reflecting the share strength of Marlboro and Newport, respectively. Shares for both companies were stronger among 18-20 versus 21-24 year olds.

  RJR and B&W demonstrated similar smoker profiles, as each was underdeveloped among both age groups but to a lesser degree among 21-24 year olds. American and Liggett, on the other hand, were severely underdeveloped among both smoker groups, reflecting their low presence in the younger adult market.

- Mirroring the strength of Marlboro and Newport, the Virile Segment, followed by the Coolness Segment, were the two best developed segments among younger adults. The Stylish Segment also was slightly over-developed among 21-24 year olds but was not as strong among 18-20 smokers. The Moderation, Savings, and Concerned Segments were all underdeveloped among these two age groups.

- The two brands which performed best among younger adults during 1983 were Marlboro and Newport.

  Marlboro led all brands among both age groups but posted its highest share among the 18-20 year olds. Shares skewed male for the brand. Marlboro's only weakness was among Blacks where share was underdeveloped for both age breaks.

  - Similar to Marlboro, Newport's share was strongest among 18-20 year olds. The brand skewed slightly female and was most firmly entrenched among Black smokers, reflecting the strong appeal menthol has to Blacks.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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NEW BRANDS IMPLICATIONS:

- RJR's immediate need is to strengthen its position among younger adults to ensure the Company's future development as these smokers age. This is particularly true of RJR's position in the 18-20 year old market with the business-building need extending to both males and females.

  As these data reveal, Marlboro's dominance among younger adult males and females has not yet been effectively challenged.

- RJR may also benefit from bolstering its position among younger adult Blacks, who represent 1.9% of total smokers and 11.6% of 18-24 smokers. This group--again with emphasis on the 18-20 year olds--has contributed to Newport's outstanding development but has not been as effectively tapped by SALEM. This may suggest potential for a new brand that would appeal to younger adult Blacks' overwhelming preference for menthol.

Produced by RJRTC in HUMPHREY

Produced by RJRTC

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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1983 PROFILE AND USUAL BRAND SHARE AMONG YOUNGER ADULTS

PURPOSE:

This report provides a review of company, segment, and key brand share of smoker performance for Year 1983 among 18-20 versus 21-24 year olds. Results are provided for total smokers within these age groups as well as among the subgroups of males, females, Blacks, and non-Blacks.

As this is the first time these data have been available among these two age groups, the intent of this report is to establish initial share benchmarks against which trends can be built over time. As updated information for Year 1984 will be available in late January, a follow-up report discussing share changes versus 1983 will be issued in February.

BACKGROUND:

The data in this report reflect share of smoker information obtained via Tracker, a national probability sample survey in which randomly selected adult respondents (age 18+) are asked their usual brand. Share results obtained from Tracker differ from results based on MSA which reflect total market volume among all smokers and is influenced by inventory loading, occasional usage, and varying rates of consumption.

Within the Tracker data base, 16.4% of total smokers are ages 18-24. This percentage further breaks to 5.7% 18-20 year old smokers and 10.7% 21-24 smokers. Younger adult males, females and Blacks account for 8.1%, 8.3%, and 1.9% of total smokers respectively. These figures translate to 49.5%, 50.5%, and 11.6% of 18-24 year old smokers.

SUMMARY OF FINDINGS:

I. COMPANY PERFORMANCE (ATTACHMENT I)

A. RJR's 1983 shares of 18-20 and 21-24 year old smokers were 16.8% and 23.6%, respectively. These shares reflect underdevelopment within both age groups; however, of the two smoker groups, RJR's development was somewhat stronger among 21-24 year olds. This pattern further held across males, females, Blacks, and non-Blacks. All RJR brands contributed to the Company's underdevelopment within these various younger adult groups; however, CAMEL and SALEM were the least underdeveloped.

B. Leading all companies, Philip Morris was overdeveloped among both 18-20 and 21-24 year olds for 1983 with shares of 65.1% and 54.8%, respectively. Primarily reflected in this performance was Marlboro's strong position among younger adults; however, Virginia Slims also was overdeveloped among the two age groups. Comparing Philip Morris' performance among 18-20 to 21-24 year olds, share was consistently higher among the 18-20 group across total, male, female, Black, and non-Black smokers. The company led in share among each subgroup except Blacks where the absence of a Philip Morris menthol brand limited its performance.

Produced by RJRTC
Produced by RJRTC in MDL

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

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C. In addition to Philip Morris, Lorillard was the only other company to demonstrate an overdeveloped share among the 18-20 smoker group (11.7%). This position reflected Lorillard's dominance among 18-20 year old Blacks where Newport was extremely overdeveloped. The company's share was average to slightly overdeveloped among 21-24 year olds (10.0%) with performance again being strongest among Blacks.

D. Most like RJR in its smoker profile, B&W's share among 18-20 year olds (5.4%) was underdeveloped for 1983. This was also true, but to a lesser degree, among the 21-24 age group (9.2%). This performance was consistent across each subgroup with the company posting its best share among 21-24 year old Blacks reflecting Kool's overdevelopment among this group.

E. Both American and Liggett were severely underdeveloped among 18-20 and 21-24 year olds, reflecting their low presence in the younger adult market. American's total 18-20 and 21-24 shares were 0.3% and 1.3%, respectively. While weak across all subgroups, company performance was best among 21-24 year old males. Liggett's share, on the other hand, was strongest among 21-24 females. Total 1983 18-20 and 21-24 shares for Liggett were 0.4% and 0.7%, respectively.

II. SEGMENT AND KEY BRAND PERFORMANCE (ATTACHMENTS II - V)

A. Virile Segment

The largest of all segments, the Virile Segment achieved over-developed shares among both 18-20 and 21-24 year olds during 1983 (58.8% and 46.8%, respectively) and mirror Marlboro's strong younger adult development. The Segment's share additionally skewed male and non-Black.

- Marlboro led all brands among 18-20 and 21-24 smokers for 1983. While highly developed across both age groups, the brand's share was substantially higher among 18-20 year olds versus 21-24 year olds (51.0% versus 35.9%). Shares skewed male for Marlboro; however, the 18-20 versus 21-24 development relationship held across both male and female subgroups. The only subgroup among which Marlboro performed poorly was Blacks, where the brand's share was underdeveloped for both age breaks.

- CAMEL's share was underdeveloped among 18-20 year olds (3.4%) and, to a lesser extent, among 21-24 year olds (4.0%). This pattern held across each subgroup except 21-24 females, where CAMEL achieved average development. The Brand's performance was weakest among 21-24 Blacks.

- More underdeveloped than CAMEL, WINSTON's share was also weaker among 18-20 than 21-24 year olds (4.1% and 6.5%, respectively). WINSTON's development was strongest among 21-24 males, while weakest among Black smokers.

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PRIVILEGED
Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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B. Coolness Segment

Following the Virile Segment in importance to younger adult smokers was the Coolness Segment with 1983 shares of 22.7% and 25.3% among 18-20 and 21-24 year old smokers, respectively. Reflecting the strong appeal menthol brands have to Blacks, the Segment was extremely well developed among both age groups of Black smokers. Development, in general, for the other subgroups was somewhat stronger among 21-24 year olds and skewed slightly female.

- Driving the Coolness Segment's performance was Newport with its 18-20 share of 10.7% and 21-24 share of 8.0%. While highly overdeveloped among both age groups, Newport was strongest among the 18-20 year olds. Like the Segment, Newport also skewed slightly female and was most firmly entrenched among Black smokers, as it accounted for 43.9% of 18-20 Black smokers and 32.5% of 21-24 Black smokers.

- Characteristic of all RJR brands, SALEM was underdeveloped among younger adult smokers. Performance was weakest among the 18-20 year olds (6.9%), while share approached average development among the 21-24 group (8.8%). Consistent with other Coolness brands, SALEM's performance was stronger among females than males. Among Blacks, the Brand demonstrated an overdeveloped share among 21-24 year olds but was only about average among 18-20 smokers.

- Kool's smoker profile was similar to that of SALEM's in that its share was better developed among 21-24 year olds (7.9%) than 18-20 smokers (4.5%). Kool further demonstrated the female appeal typical of all Coolness brands. The brand's share among Black smokers revealed overdevelopment within both age groups and surpassed SALEM's shares among these smokers.

C. Stylish Segment

The Stylish Segment demonstrated slight share overdevelopment among total 21-24 smokers during 1983 (13.8%) but was somewhat underdeveloped among 18-20 year olds (10.4%). Consistent with the user imagery of brands in this Segment, shares skewed female and were underdeveloped among males of both ages. The Segment posted its strongest performance among 18-20 year old Black smokers (20.3%) and was also overdeveloped among 21-24 Blacks.

- The only Stylish brand showing overdevelopment among younger adults, Virginia Slims achieved a 1983 share of 4.2% among 18-20 smokers and 6.1% among 21-24 year olds. Mirroring the Segment, the brand's performance was strongest among females with share skewing towards the 21-24 age group. Among Black smokers, however, this pattern shifted slightly as share showed slightly higher development among the 18-20 smoker group.

- B&H achieved shares of 4.4% and 5.1% among 18-20 and 21-24 year olds, respectively. This performance reflected underdevelopment among each age group and carried through to performance among males and females. Among Blacks, however, B&H showed strong development with share being the highest among 18-20 Black smokers.

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Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.
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- Least developed of the Stylish brands, MORE's share was soft among both 18-20 and 21-24 smokers (0.3% and 0.8%, respectively) as well as the various subgroups. As did B&H, MORE posted its best performance among 18-20 Blacks.

D. Moderation Segment

Moderation Segment share was underdeveloped within the 18-20 and 21-24 smoker groups (5.9% and 9.4%, respectively). Share skewed towards the 21-24 age group not only among total smokers but among the subgroups as well. The Segment achieved nearly equal development among males and females but was severely underdeveloped among Blacks relative to non-Blacks.

- Paralleling the Segment, VANTAGE was also underdeveloped among both 18-20 and 21-24 smokers. Respective shares were 1.5% and 2.9%. Development patterns did not differ between males and females. VANTAGE's share skewed heavily non-Black.

- Merit's share was underdeveloped among 18-20 smokers (3.3%) while overdeveloped among 21-24 year olds (5.6%). This pattern held across males and females. Like VANTAGE, however, Merit's share was weak among Blacks of both age groups.

E. Concerned Segment

Least developed of all the segments among younger adults, the Concerned Segment's 1983 shares among 18-20 and 21-24 smokers were [illegible] and [illegible], respectively. While severely underdeveloped among each age group, performance was slightly less weak among subgroups for the 21-24 year olds. The Segment showed equal development among males and females but skewed non-Black.

- Barclay performed the best of all brands in the Concerned Segment with shares of 0.4% and 0.7% among 18-20 and 21-24 year olds, respectively. Across all subgroups, Barclay's share was stronger among the 21-24 smokers.

- Now was virtually underdeveloped in 1983 among younger adults, as its share reached only 0.1% among both 18-20 and 21-24 year olds.

- Carlton was equally weak among 18-20 smokers (0.1%) but posted a slightly better share among 21-24 yar olds (0.6%). This pattern held across males and females; however, Carlton was totally undeveloped among younger adult Black smokers.

F. Savings Segment

While stronger than the Concerned Segment among younger adults, the Savings Segment also was underdeveloped among 18-20 smokers (0.4%) and 21-24 year olds (0.4%). Among males, the Segment showed greater strength among 18-20 smokers; however, among females, performance was better among 21-24 smokers. The Savings Segment was equally developed among Blacks and non-Blacks.

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Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.
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- As the driving brand behind the Savings Segment, Generics' performance mirrored that of the total Segment. The only exception was among Blacks where Generics were undeveloped in 1983. Shares among 18-20 and 21-24 smokers for Generics were both 0.3%.

NEW BRANDS IMPLICATIONS:

RJR's immediate need is to strengthen its position among younger adults to ensure the Company's future development as these smokers age. This is particularly true of RJR's position in the 18-20 year old market with the business-building need extending to both males and females.

As these data reveal, Marlboro's dominance among younger adult males and females has not yet been effectively challenged.

RJR may also benefit from bolstering its position among younger adult Blacks, who represent 1.9% of total smokers and 11.6% of 18-24 smokers. This group--again with emphasis on the 18-20 year olds--has contributed to Newport's outstanding development but has not been as effectively tapped by SALEM. This may suggest potential for a new brand that would appeal to younger adult Blacks' overwhelming preference for menthol.

Produced by RJRTC
in
HUMPHREY

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

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ATTACHMENT I

COMPANIES: SHARE OF SMOKERS BY DEMOGRAPHIC GROUP

	Total Smokers			
	18-20		21-24	
	Share	Index	Share	Index
Philip Morris	65.1%	188	54.8%	158
RJR	16.8	51	23.6	72
Lorillard	11.7	126	10.0	108
B&W	5.4	48	9.2	82
American	0.3	4	1.3	16
Liggett	0.4	14	0.7	24

	Males				Females			
	18-20		21-24		18-20		21-24	
	Share	Index	Share	Index	Share	Index	Share	Index
Philip Morris	65.0%	193	54.7%	163	65.2%	182	54.7%	152
RJR	18.2	54	25.0	72	14.8	49	22.4	74
Lorillard	9.6	128	8.6	115	13.8	122	11.3	100
B&W	5.2	44	9.2	77	5.8	56	9.2	88
American	0.6	7	1.6	20	0.0	0	1.0	12
Liggett	0.4	16	0.3	12	0.3	9	1.0	30

	Blacks				Non-Blacks*	
	18-20		21-24		18-20	21-24
	Share	Index	Share	Index	Share	Share
Philip Morris	25.0%	124	21.7%	108	70.4%	59.0%
RJR	14.2	44	19.7	61	17.2	24.2
Lorillard	44.3	326	32.5	239	7.4	7.0
B&W	17.0	66	25.3	99	3.9	7.1
American	0.0	0	0.8	12	0.3	1.4
Liggett	0.0	0	0.0	0	0.4	0.8

*Index data not available.

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Produced by R.J.R.
HUMPHREY
Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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ATTACHMENT II

SEGMENTS: SHARE OF SMOKERS BY DEMOGRAPHIC GROUP

	Total Smokers			
	18-20		21-24	
	Share	Index	Share	Index
Virile	58.8%	156	46.8%	124
Coolness	22.7	112	25.3	125
Stylish	10.4	82	13.8	109
Moderation	5.9	52	9.4	83
Concerned	1.2	12	3.0	29
Savings	0.4	36	0.4	36

	Males				Females			
	18-20		21-24		18-20		21-24	
	Share	Index	Share	Index	Share	Index	Share	Index
Virile	69.9%	148	59.2%	125	47.6%	173	34.8%	126
Coolness	18.2	97	21.9	117	27.2	125	28.6	131
Stylish	3.6	60	4.4	73	17.2	86	22.9	115
Moderation	5.4	51	9.6	91	6.4	52	9.3	76
Concerned	1.1	17	2.7	35	1.1	8	3.2	25
Savings	0.2	64	0.3	27	0.2	20	0.6	60

	Blacks				Non-Blacks*	
	18-20		21-24		18-20	21-24
	Share	Index	Share	Index	Share	Share
Virile	9.0%	24	7.7%	20	65.4%	51.9%
Coolness	69.3	343	73.7	365	16.5	19.0
Stylish	20.3	160	15.6	123	9.1	13.6
Moderation	0.5	4	1.8	16	6.6	10.4
Concerned	0.5	5	0.5	5	1.3	3.3
Savings	0.5	45	0.0	0	0.4	0.5

*Index data not available.

PROPERTY OF RJRPTC
Produced by RJRPTC in LITIGATION

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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ATTACHMENT III

KEY BRANDS: SHARE OF TOTAL SMOKERS

	Total Smokers			
	18-20		21-24	
	Share	Index	Share	Index
Marlboro	51.0%	270	35.9%	190
CAMEL	3.4	76	4.0	89
WINSTON	4.1	36	6.5	57
Newport	10.7	382	8.0	286
SALEM	6.9	73	8.8	94
Kool	4.5	68	7.9	120
Virginia Slims	4.2	140	6.1	203
B&H	4.4	77	5.1	89
MORE	0.3	16	0.8	42
VANTAGE	1.5	38	2.9	74
Merit	3.3	67	5.6	114
NOW	0.1	12	0.1	12
Carlton	0.1	5	0.6	28
Barclay	0.4	33	0.7	58
Kent	0.5	12	0.8	20
Generics	0.3	38	0.3	38
CENTURY	0.2	200	0.1	100

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ATTACHMENT IV

KEY BRANDS: SHARE OF SMOKERS BY SEX GROUP

	Males				Females			
	18-20		21-24		18-20		21-24	
	Share	Index	Share	Index	Share	Index	Share	Index
Marlboro	57.7%	249	44.2%	190	44.2%	311	27.9%	196
CAMEL	5.6	77	6.5	89	1.0	62	1.6	100
WINSTON	3.1	44	8.2	60	2.1	23	4.8	53
Newport	9.0	360	6.8	272	12.3	397	9.1	294
SALEM	4.6	58	6.5	82	9.2	84	11.0	100
Kool	1.8	53	8.3	114	5.1	86	7.6	129
Virginia Slims	0.1	33	0.1	33	8.3	138	11.9	198
B&H	1.9	51	2.6	70	6.9	88	7.5	96
MORE	0.0	0	0.3	25	0.7	26	1.3	48
VANTAGE	1.9	49	3.2	82	1.2	32	2.7	71
Merit	3.2	70	5.9	128	3.2	62	5.3	102
NOW	0.1	20	0.0	0	0.0	0	0.3	25
Carlton	0.2	14	0.4	28	0.0	0	0.7	24
Barclay	0.4	33	0.6	50	0.3	25	0.8	67
Kent	0.2	6	1.3	38	0.7	14	0.4	8
Generics	0.4	50	0.2	25	0.1	12	0.3	38
CENTURY	0.2	100	0.1	50	0.1	100	0.1	100

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ATTACHMENT-V

KEY BRANDS: SHARE OF SMOKERS BY RACE

	Blacks				Non-Blacks*	
	18-20		21-24		18-20	21-24
	Share	Index	Share	Index	Share	Share
Marlboro	5.7%	30	5.9%	31	57.0%	39.8%
CAMEL	1.4	31	0.3	7	3.6	4.5
WINSTON	1.4	12	1.3	11	4.4	7.1
Newport	33.9	1,568	32.5	1,161	6.3	4.8
SALEM	8.5	90	16.4	174	6.6	7.8
Kool	16.5	250	24.8	376	2.9	5.7
Virginia Slims	3.8	127	3.3	110	4.3	6.5
Bah	13.7	240	10.2	179	3.1	4.4
MORE	4.4	74	0.5	26	0.2	0.8
VANTAGE	0.0	0	0.8	20	1.8	3.2
Merit	0.5	10	0.5	10	3.6	6.3
NOW	0.0	0	0.0	0	0.1	0.2
Carlton	0.0	0	0.0	0	0.1	0.6
Barclay	0.0	0	0.5	42	0.4	0.7
Kent	0.5	12	0.0	0	0.5	0.9
Generics	0.0	0	0.0	0	0.3	0.3
CENTURY	0.5	500	0.0	0	0.1	0.1

*Index data not available.

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EXHIBIT NO. 7
Wit: L Hensley
Date: 6/15/98
Rptr:

October 18, 1984

TO: J. R. Shostak

FROM: D. S. Johnson

RE: Younger Adult Smoker Study

As requested, following is an account of the development and the Brand Group's role in the Younger Adult Smoker Study.

In February, 1984, the Brand Group identified an opportunity to optimize SALEM's younger adult position via a line extension targeting exclusively to 18-19 year old smokers. This potential line extension would enable SALEM to attract first usual brand selectors more effectively via a brand that does not carry any negative predispositions.

To develop this potential line extension, the Brand Group/MDD began compiling in-house research to provide better insight into the pertinent age group. This compiling process resulted in a Dick Nordine presentation on April 6, 1984. At this time, the Brand Group came to the conclusion that all existing research (particularly the Segmentation Study) was shallow and inactionable among 18-19 year old smokers. Traditional descriptors such as "upward strivings" were considered too broad to provide any tangible marketing direction.

To counter the information gap, Brand requested from Brand MDD and Strategic Research more "unorthodox" research that provided answers to key questions such as:

- What lifestyle segments exist within the 18-19 year old group (and quantify)?
- What are the key motivations of 18-19 year olds?
- What are the aspirations of 18-19 year olds (and quantify; i.e., college, non-college, technical school, etc.)?
- What are the key symbols and cues that are relevant to the group?

To develop this research, the Brand Group worked with MDD (Brand MDD and Strategic Research) in developing an accelerated timetable to generate results. The research design decided upon was a combination of in-house breakout of data on 18-19 year olds (i.e., Tracker, NFO, Simmons, etc.), in-house focus groups with each functional area, outside "expert" focus groups, and consumer focus groups. The Brand directly participated in several of these research steps with other information supplied upon completion. A total summary presentation was targeted for October 1 to provide the key insight for positioning development of BTW.

In addition, the Brand Group also requested Esty to simultaneously pull together all existing research they had available, as well as a positioning/creative review of currently successful products among 18-19 year olds in the beer, soft drink, cosmetics and fashion industry.

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October 18, 1984

The final timetable developed for the total BTW project was as follows:

	Week of
Esty Presentation	10/1
MDD Presentatation	10/1
Development of Hypothesized Positionings	10/22
Creative Tissues on Positionings	11/5
Qualitative Focus Groups I	11/12
First Management Meeting	11/19
Assign Product/Package/Name Development	11/19
Qualitative Focus Groups II and III on Revisions	11/26, 12/10
Submit Development Plan	12/17
Initiate Quantitative Positioning Assessment Study	12/10
First Wave of NTO Results	1/15
Packaging/Wave Results	1/22
Results on Quantitative Positioning Study	1/29
Final Advertising Available	2/19
Submit Revised Marketing Plan	2/19
Second Management Meeting—Go/No Go Decision	2/26
Final Wave of NTO Results (if necessary)	3/12
Phase III Production	4/26
Test Market DTS	Mid-May

If you have any other questions regarding BTW, please call.

D. S. Johnson

cc: S. R. Strausburg
R. S. Tatum

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EXHIBIT NO. 8
Wit:
Date:
Rptr:

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October 16, 1984

TO: A. R. Cox
G. J. Totterdale

FROM: R. C. Nordine

SUBJECT: FUBYAS PANEL

The following summarizes our meeting on Tuesday. If I missed an important point, let me know. It seems like the key unresolved issues for the panel are:

- What are the objectives?
- How should it be used (and by whom)?
- How much resources -- time, money, manpower, is needed?

A meeting is scheduled in the New Brands Conference Rooom on Friday, October 19, from 1:30 to 3:00 p.m. to discuss these questions.

1. It was agreed that Promotion Research was the best area for managing the panel (WPW). There were two main reasons. It seemed that some of the key applications would be in the area of Field Marketing/Promotion and second that an on-going screening/maintenance function (like project MD) would be needed.

2. Strategic Research would establish the approach and guidelines for its use. A team approach would be used consisting of ARC, GJT, WPW and RCN (group leader). The recommendations would be submitted to an end-user steering committee of Dave Lauco, John Shostak, and Tom Owen. NOTE: On further thought, our team might as well clear it with MLO and the Directors of the key departments. I don't know what the "steering committee" adds.

3. A lot of possibilities were talked about in terms of the size of the panel, key subgroups (e.g., preppies, females, etc.) and location. These questions depend on the uses for the panel and several potential uses were mentioned.

- A listening post to give updated understanding.
- A broad evaluation of basic strategy.
- Development of specific FUBYAS marketing activities -- designing advertising, promotion, special events for FUBYAS only.
- Evaluation of developed programs.
- Exploratory research such as diary panel, activities/interests, wants/perceptions, etc.

Generally, the more often it is used, the more actionable is the panel. Costs also grow proportionately. It seems that the panel needs to be able to be used in ways that end users want to use it. This could make it difficult to manage. On the other hand, if it fails to meet end-user wants, it will probably not get used.

4. There are some serious mechanical issues that must be thought about. How will we find these smokers? What questions or techniques (e.g., structured qualitative?) will be used? How can we determine who is "verbal"? What incentives will be sufficient? Do we need the help of a psychologist?

Richard C. Nordine
Marketing Development Department

RCN:df

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EXHIBIT NO. 9
Wit:
Date:
Rptr:

October 19, 1984

TO: Mr. G. W. McKenna

RE: Younger Adult Smoker Presentation - MORE Brand Perspective

This memo provides you with the Brand's perspective on subject presentation.

KEY CONCLUSIONS

- Because of high brand loyalty in the cigarette industry, FUBYAS (first usual brand younger adult smokers) have driven the success of the key brands of this century. Fubyas are 18-20 years old. Older smokers who have already selected a first usual brand are switchers.

- Successful brands among Fubyas are those that have addressed a want which is a rising trend and that differentiates Fubyas from all other groups. Successful brands tend to be dual, rather than female or male.

- Three fourths of smokers 18-24 were educated through high school or less, a trend which is still evolving.

- Key needs which differentiate Fubyas from other smokers are:

  - want to belong to a selected peer group
  - want to be seen as different from other groups
  - the desire for success and excitement today not tomorrow
  - escaping from life through fantasy or finding romance in the "Good Old Days"
  - the desire to live on the edge (take risks, stand out in a crowd, aggressive, rugged, adventurous)
  - the desire to stay young, not fall into a rut

- Fubyas are categorized into social groups which clearly define subgroups that can be marketed to:

  conforming - goodie goodies, preps, GQ's, discos,
  nonconforming - rockers, party parties, punkers, burn-outs

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- All groups of Fubyas admire the non-conforming groups for their guts and freedom. Smoking incidence is much higher among the non-conforming groups.

- An effective marketing strategy against Fubyas should:

  - utilize nontraditional mediums - field marketing, special events, etc.
  - use pull strategies, not hard sell
  - address a rising trend
  - use more than just a product sell
  - provide internal integrity - not phony to target groups
  - avoid price discounting

IMPLICATIONS

- MORE may have an opportunity for growth among a Fubyas subset and therefore long-term growth. The MORE Brand is a natural fit with many of the key needs of Fubyas. They desire to live on the edge - take risks, stand out in a crowd, be adventurous. MORE automatically makes this kind of statement about its user. Fubyas want to adopt symbols which allow them to belong to a group and which differentiates them from other groups. Things like pink hair, spiked clothing, and drinking Budweiser make them stand out as part of a unique group. Why not a brown cigarette? MORE has never been seen as a mainstream brand, therefore, it should not have to overcome any hurdles in marketing to Fubyas.

  Not only is the trend of living on the edge consistent with the MORE proposition, it is very leveragable. According to this analysis, it is a rising trend among the non-conforming Fubyas subgroups, and it is the non-conforming Fubyas subgroups that have the highest incidence of smoking.

  If MORE became the brand for a Fubyas subgroup, it could reestablish long-term growth. Since 1982, MORE has been tied to declining due in part to the limited number of people interrested in making the kind of statement a colored cigarette makes. A marketing program directed at two separate segments could increase the potential for future business similar to the Budweiser approach. Budweiser didn't reposition the brand, it re-executed it for the younger adult market. Budweiser maintained separate younger adult versions of BUD's TV, Radio, and print campaigns.

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IMPLICATIONS (Cont.)

MORE could target two segments: the Brand would continue to be for smokers who want to stand out from all other individuals and it would also be for a Fubyas subgroup who wants to be seen as different from all other groups. The older smoker who switches to MORE has the self-confidence and maturity to make a strong statement. The group provides this same security for the younger adult smoker who selects MORE.

- The MORE proposition is very consistent with the rising trend among younger adults of "living on the edge." If a significant number of younger adults retain this attitude as they age, it may increase the base of smokers interested in the MORE proposition.

- A conclusion from this analysis, and one that applies to MORE's current advertising, is to "see things through their (target) eyes." Address the target's wants and needs through symbols and cues which are relevant to them. For example, MORE is a Brand on the edge, for people who want to stand out. Therefore, everything about MORE's ads and promotions should reinforce this image. The wardrobe should make the smoker stand out in a way that is relevant to her.

NEXT STEPS

- Develop a plan to test the feasibility of marketing MORE to a Fubyas subgroup while maintaining marketing efforts against the current target.

- Continue to monitor the rising trend of "living on the edge" and develop ways to capitalize on the trend if it spreads to older smokers.

Please let me know if you would like to discuss this further.

L. J. Breininger

LJB:jh

CC: Mr. A. T. Sterling
Ms. S. C. Nassar
Ms. A. M. Duggan

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Wit. Lukasky
Date: 6/13/78
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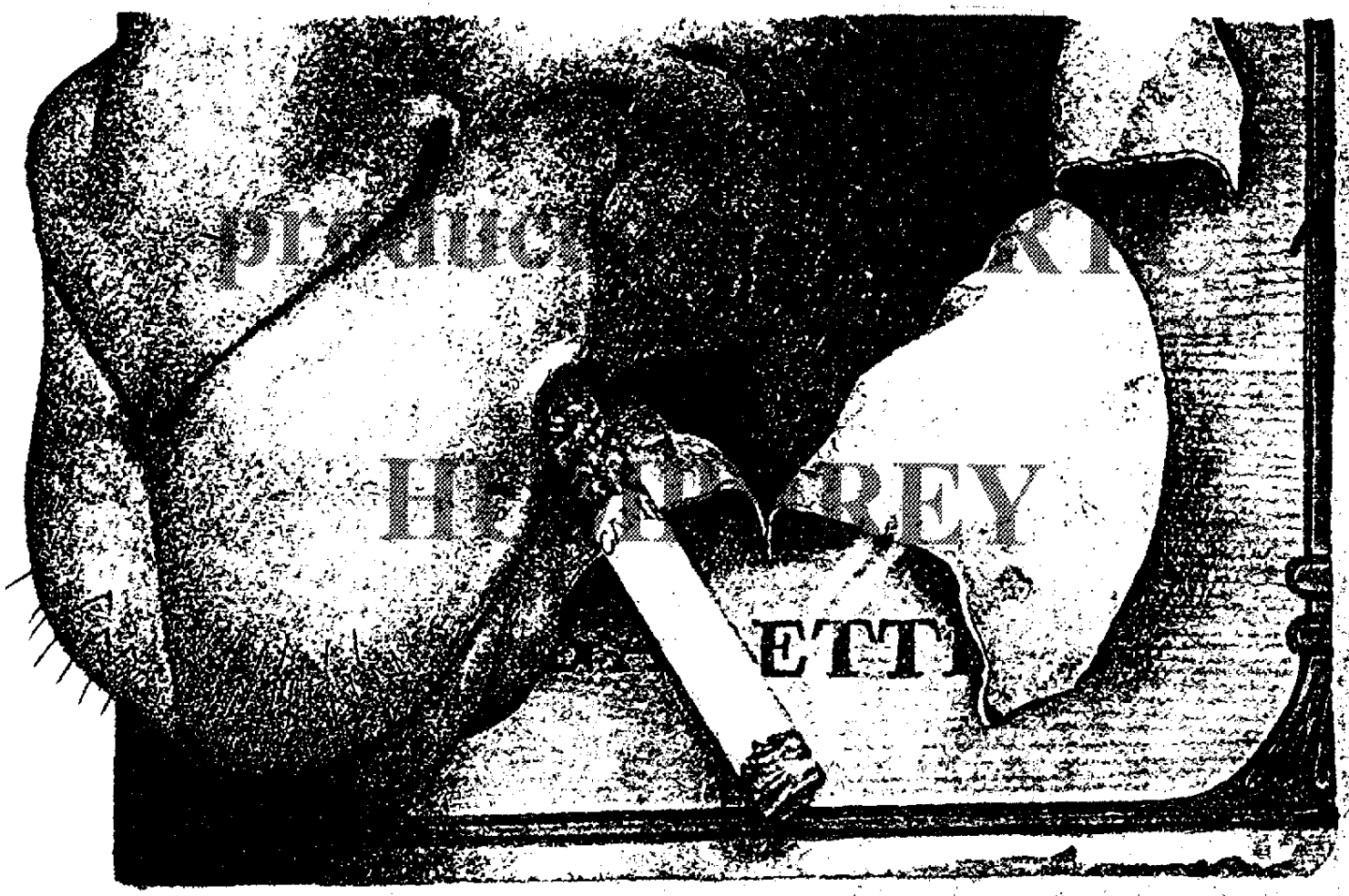

Camel filtre. Paquet rigide et paquet souple.

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TRDLC

ESTABLISHED BRAND RESEARCH PROPOSAL
(MDD #85-13202)

EXHIBIT NO. 11
Wit: L. Beasley
Date: 6/15/98
Rptr:

TITLE: CAMEL Younger Adult Smoker Focus Groups

BACKGROUND:

Due to the growing importance of younger adult smokers, CAMEL has developed a campaign which is directed solely towards this group. Although the new campaign is very different, it is intended to supplement but not replace the existing World Campaign.

Management has requested that the younger adult campaign be taken to focus groups in order to obtain consumer reaction and feedback to the ads. This proposal outlines the groups which have been tentatively scheduled in order to accomplish this task.

METHODOLOGY:

Six focus groups (4 male and 2 female) are proposed to meet the following requirements:

- 18-20 Males and Females (Defined by the Younger Adult Study as the boundaries for the FUBYAS group.)
- Full Flavor or Fuller Flavor Low Tar Smokers (No Ultra Low Tar)
- No Menthol Smokers
- No Non-filter Smokers
- No CAMEL or WINSTON Smokers
- At Least Half Marlboro Smokers
- All Non-college
- Readership of One of the Attached Magazines
- Articulate (Judgement to be made on basis of an open-ended question.)

The groups will be held on January 22 and 23.

AREAS TO EXPLORE:

- Will the new Younger Adult Smoker Campaign change the negative perceptions (smoker and product) of CAMEL held by so many competitive smokers?

I don't believe focus groups can answer the question - JK

- Will the new Younger Adult Smoker Campaign be exciting, likable, and relevant to these younger adult smokers? If so, why?

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- Will the new Younger Adult Smoker Campaign be more relevant to the younger adult smokers than the current World Campaign? If so, why?

- What are the acceptable boundaries of possible campaigns? (Does this campaign go "too far", or is it "too tame"?)

MODERATOR: Gerry Bell, Nicholas Research International

COST: $18,000 ± 10%

PROPOSAL PREPARED BY: Charles A. Martin

CONCURRENCE:

	Initials	Date		Initials	Date
D. M. Murphy		1/10	R. T. Caufield		1/14/85
A. R. Cox		1/11	J. T. Winebrenner		1/14
			H. J. Lees		1/15

SIGNED PROPOSAL DISTRIBUTION LIST:

C. A. Martin
D. M. Murphy
R. T. Caufield
J. T. Winebrenner

L. R. Kimmer
BIC

cs

Attachment

* As discussed, the moderator are not available until February and the time frame is not worth it. We will have an extensive briefing with the moderator to ensure he understands the issues. Alan

Moderator Gerry Bell does not concern me given our experience with Harry Bell on key issues from prior 18-24 Focus Group work in Canada. Alan

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ATTACHMENT
Acceptable Magazines

1. Cycle World
2. Hot Rod
3. Mademoiselle
4. National Lampoon
5. Record
6. Rolling Stone
7. Car & Driver
8. Cosmopolitan
9. Glamour
10. Motor Trend
11. Road & Track
12. Penthouse
13. People
14. Playboy
15. Sports Illustrated

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Wit: L Sheckley
Date: 6/15/98
Rptr:

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Marketing Research Report

February 1, 1985

TO: Mr. R. T. Caufield

FROM: Alicia Nance Mitchell

CAMEL YOUNGER ADULT SMOKER FOCUS GROUPS
(MDD #85-13202)

Copies To:

Mr. L. W. Hall
Mr. A. R. Cox/Mr. D. H. Murphy
Mr. J. T. Winebrenner
Mr. D. F. Baker (McCann-Erickson)
Mr. C

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ANM:ca

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R.J. REYNOLDS TOBACCO COMPANY, WINSTON-SALEM, N.C. 27102

85-1310

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CAMEL YOUNGER ADULT SMOKER FOCUS GROUPS
(MDD #85-13202)

BACKGROUND:

Due to the importance of younger adult smokers, CAMEL has developed a new advertising campaign which is directed solely towards this group. Although the new campaign is very different from the current campaign, it was developed to supplement but not replace the CAMEL World Campaign.

Management requested that the Younger Adult Campaign be taken to focus groups in order to obtain consumer reaction to the new ads. Six groups (four male, two female) were conducted in order to obtain qualitative consumer feedback about the ability of the ads to catch one's attention and the overall appeal of these executions. The ads that were shown consisted of six different themes, with approximately three executions per theme. The findings from the focus groups are summarized in this report.

As with all qualitative research, these findings are suggestive rather than definitive.

ENCODING HYPOTHESES:

- The Younger Adult Campaign will change the negative perceptions (smoker and product) of CAMEL held by so many competitive smokers.
- The Younger Adult Campaign will be viewed as exciting, likable and relevant to younger adult smokers.
- The Younger Adult Campaign will be more relevant and appealing to younger adult smokers than the current World Campaign, or the Evolutionary Campaign.
- The new campaign goes much farther in reaching the boundaries of what is acceptable to younger adult smokers than the current campaign.

FINDINGS:

1. Younger Adult Campaign Executions

Overall, many of the male and female respondents held negative user and product perceptions of CAMEL. In their minds, CAMEL was thought to be a non-filtered, harsh product, smoked by older males. However, exposure to the younger adult ads appeared to somewhat improve these attitudes. This improvement stemmed primarily from two characteristics: humor, and relevancy to younger adult smokers. Certain ads did convey the message that CAMEL was an acceptable choice for younger adult smokers; as evidence, focus group members placed some of the ads in younger adult publications such as National Lampoon and Rolling Stone.

Some of the new ads did appear to capture the attention of the respondents—and yet, many fell short in one area. The executions were too

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tame" in that they did not elicit enough excitement or enthusiasm. It appears that there is still much more room for further development among this particular age group.

Of the six themes, "Go With It" and the "French Camels" appeared to attract the most positive attention. General reaction to each theme was as follows:

1. "Go With It"

These executions were generally liked because of the young couple, the situations they were in and the unexpected presence of the camel. Focus group members could relate to the models and their activities. Therefore, there was a relevancy for younger adult smokers. This reality was a successful compliment to the fantasy aspect of the ads (as represented by the camel). However, the tag line, "Go With It", appeared to be flat and outdated.

2. "French Camels"

These ads were well received due to the fun/humor aspects of the cartoons. More than any other theme, the "French Camels" appeared to attract the respondents' attention. The main drawbacks of these executions were that: one, they may be more appealing to an even younger age group and two, there is some confusion as to the meaning behind them (some focus group members were hard-pressed to explain the purpose of the ads).

3. "Welcome to the Oasis"

These ads fell short because the "Oasis" concept was not meaningful or clear to the younger adult smokers. To some respondents, the oasis communicated a place to come for relaxation. However, many did not understand why a camel and a pyramid had been placed in different settings. The fantasy element was not extreme enough, and was therefore lost in this group. Furthermore, the pyramid bore no association to the CAMEL pack among these respondents, and thus the heritage/mystique quality of the executions was irrelevant.

4. "Smoke Rings"

In these visuals, the younger adult smokers did not understand the connection between the ads and CAMEL's smoking billboard. Consequently, the ads appeared somewhat "stupid" and mundane. The exception to this was the underwater billboard. This particular ad combined the unexpected with the unexplainable, and as a result it received positive feedback. However, much of this positive feedback was due to the actual underwater visual and not the overall concept of "Smoke Rings".

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Produced by RJRTC

3. "Camel, Man"

These artists' renderings held very little appeal for the target as the renderings were apparently too cerebral in nature. The humorous, "avant-garde" element of the paintings and of the tag line was not appreciated by these groups. In addition, the ultra-macho figures only served to reinforce and accentuate the masculine perception of the brand.

4. "I'd Walk a Mile"

The most surprising result of showing these ads was that the target did not remember the "I'd Walk a Mile" Campaign of the 1960's. As a result, the humor of the executions did not come across. Instead, focus group members attempted to make literal interpretations of the ad. This learning is significant because it suggests that CAMEL's heritage is unfamiliar, and therefore somewhat irrelevant, to younger adult smokers.

II. Other Areas of Exploration

1. CAMEL Evolutionary Campaign

Reaction to this campaign was consistent with previous focus group learning. In general, the response was positive. The activities portrayed in the evolutionary ads were relavant because they depict fun and group activity, both important elements to younger adults. Among several of the groups, the Evolutionary Campaign appeared to be liked as much, if not more, than the Younger Adult Campaign.

2. CAMEL Packaging and Trial

To these smokers, the CAMEL Filters pack is symbolic of their negative perceptions of CAMEL. The yellowish pack color and the desert scene, suggest that the product is old, stale, hot and harsh. The whiter, cleaner CAMEL Lights packaging was better received. Focus group members were also quick to point out the negative connotations of "CAMEL Taste".

It is important to note that trial consistently evoked surprised reactions that the product (both filters and lights) was not as strong and harsh as was expected. In fact, many enjoyed the product's taste and delivery. These positive responses in trial indicate that CAMEL's problems are not due to poor product, but rather to negative user imagery and misconceptions that CAMEL has only the non-filtered style. However, if the Brand could stimulate trial among this group of competitive younger adults, these smokers would see that CAMEL's product is indeed acceptable. In turn, this would help overcome these negative perceptions.

3. "Let CAMEL Take You to the Movies" Promotion

Essentially, younger adults liked the concept behind the promotion and expressed eagerness to participate. They did, however, have mixed feelings about the overall creative element of this particular visual.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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OUTGOING HYPOTHESES:

1. Because of CAMEL's negative in-market perceptions among younger adults, a campaign directed towards them must be very appealing and stimulating, as well as eye-catching. While these younger adult ads appeared to move the target in the right direction, the ads did not move them to the necessary extreme.

2. CAMEL's asset of heritage does not appear to have quite the leverage against the target group that was earlier presumed. The reason for this is primarily that this age group is too young to remember earlier ties to "I'd Walk A Mile", the smoking billboard, the camel or any other element associated with the brand.

3. In terms of overall appeal, younger adult smokers appear to like a reality/fantasy mix. The reality element encompasses factors such as models their own age and activities the respondent could participate or relate to; the fantasy element includes scenes that are either unique and unexpected, or, humorous and ridiculous.

4. The Younger Adult Campaign is, for the most part, successful in letting the target know that the ads are directed towards their particular age group. In contrast, the Evolutionary Campaign has a somewhat wider range of appeal.

IMPLICATIONS:

The Younger Adult Smoker Campaign's departure from traditional CAMEL advertising is a significant improvement due to its relevancy to these targeted smokers group. The actual executions, however, fell short of illiciting the extreme reactions which are needed in order to change current perceptions of CAMEL. Further creative exploration of advertisements could produce a more dynamic and effective Younger Adult Campaign.

AHM:ca

Produced by RJR
HVMPRY

BEST COPY

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 2874
50458 5711

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GO WITH IT

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 2875

505456 5147

RM0005737

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
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"GO WITH IT"

dated June 6, 1997.

52189 2876

50453 2113

RM0005738

produced by R.J.R.N.C.
BEST IMAGE
http://legacy.library.ucsf.edu/tid/eor07a00/pdf
Stanford Research Into the Impact of Tobacco Advertising
http://www.industrydocuments.ucsf.edu/docs/phjl0001

produced by RJRTC

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RM0005739
http://legacy.library.ucsf.edu/tid/eor07a00/pdf
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produced by RJRTC

FRENCH CAMELS

Give us a ring. Call 1 800 273-8000
and we'll send you this poster. 28" x 36"

d to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

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RM0005740

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dated June 6, 1997.

52199 2879

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produced by RJRTC

FRENCH CAMELS

Produced by Federal Trade Commission pursuant to subpoena dated June 6, 1997.

52189 2880

36

RM0005742

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
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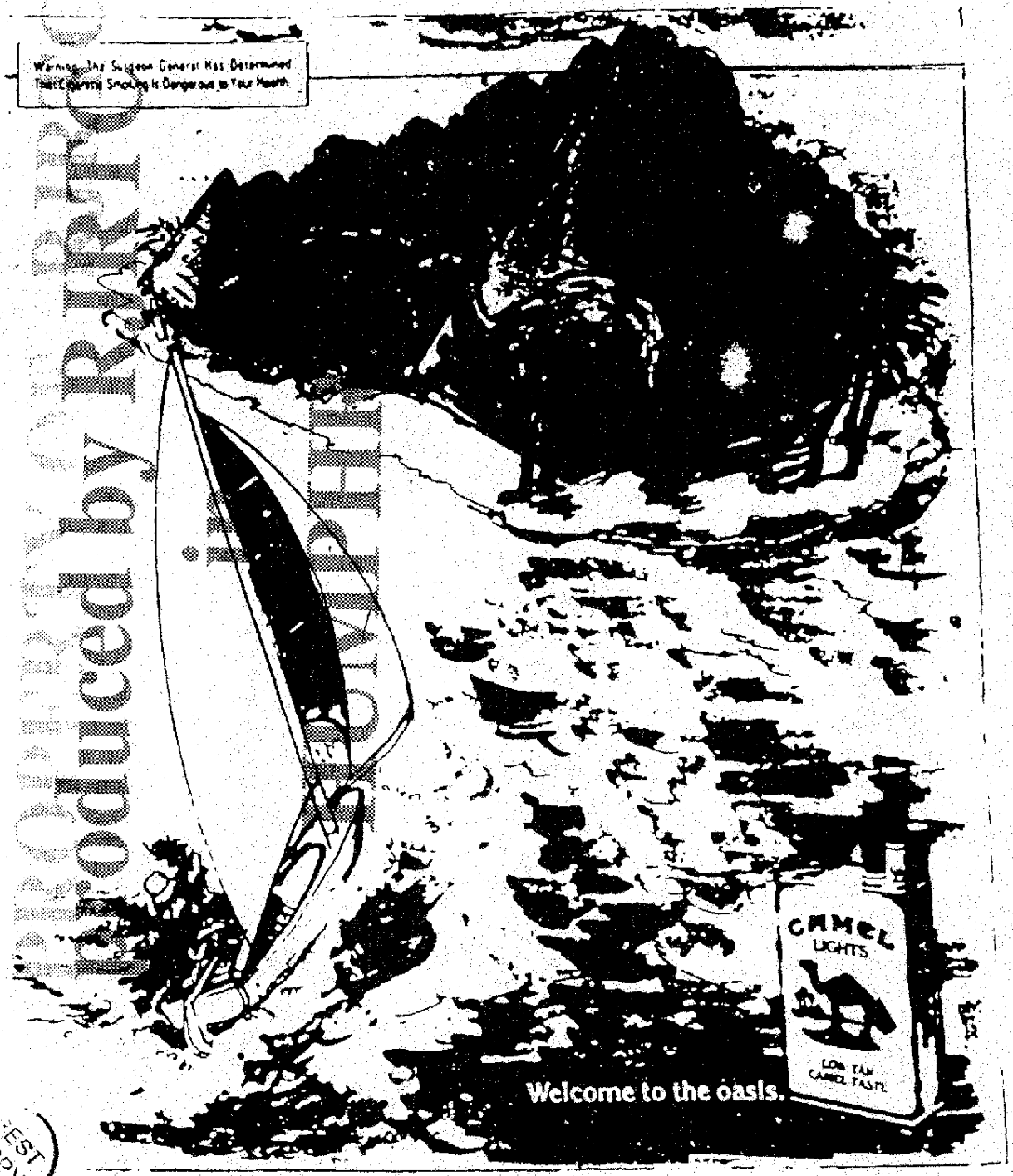
"WELCOME TO THE OASIS"



Produced by RJRT
Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.
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RM0005743
BEST IMAGE
http://legacy.library.ucsf.edu/tid/eor07a00/pdf
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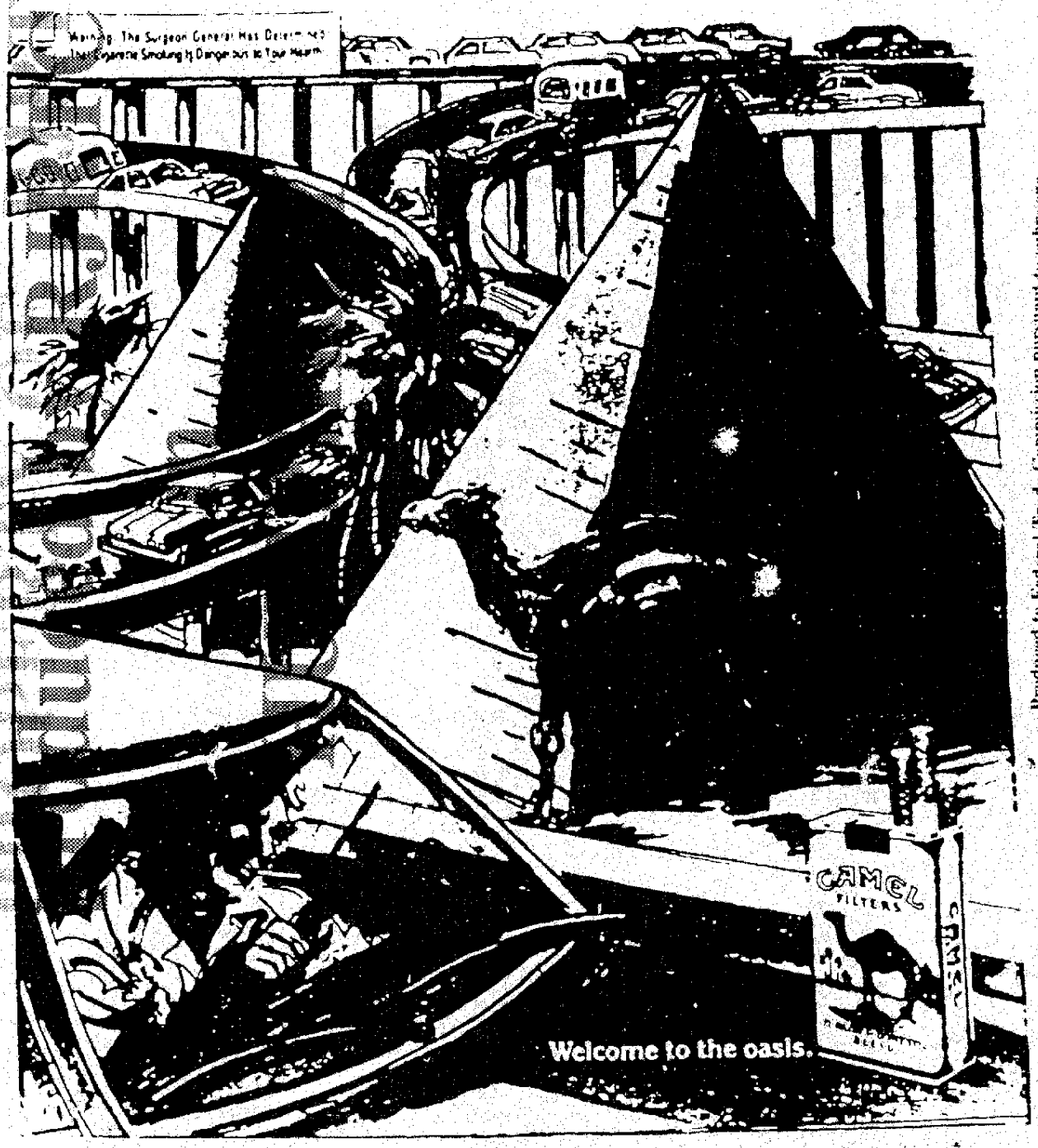
"WELCOME TO THE OASIS"



Produced to Federal Trade Commission pursuant to subpoena dated June 9, 1997.

521189 2882

50058 5749

RM0005744

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
http://www.pdfpdf.com/ http://www.industrydocuments.ucsf.edu/docs/phjl0001

"SMOKE RINGS"

DISCLOSED IN RE

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

521889 2883

SOUSA 4750

TEXT IMAGE

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
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"SMOKE RINGS"

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 2884

50458 5751

RJR0005746

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"SMOKE RINGS"

Produced by Federal Trade Commission pursuant to subpoena dated June 6, 1997.

52189 2885

50458 5752

RM0005747

BEST IMAGE

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
Guide created by www.industrydocuments.ucsf.edu/docs/phjl0001

"CAMEL ... MAN"

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

521892886

RM0005748

504565755

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Support provided by www.industrydocuments.ucsf.edu/docs/phjl0001

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

52189 2887

50458 5751

RM0005749

BEST IMAGE

http://legacy.library.ucsf.edu/tid/eor07a00/pdf

Available from www.industrydocuments.ucsf.edu/docs/phjl0001

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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RM0005750

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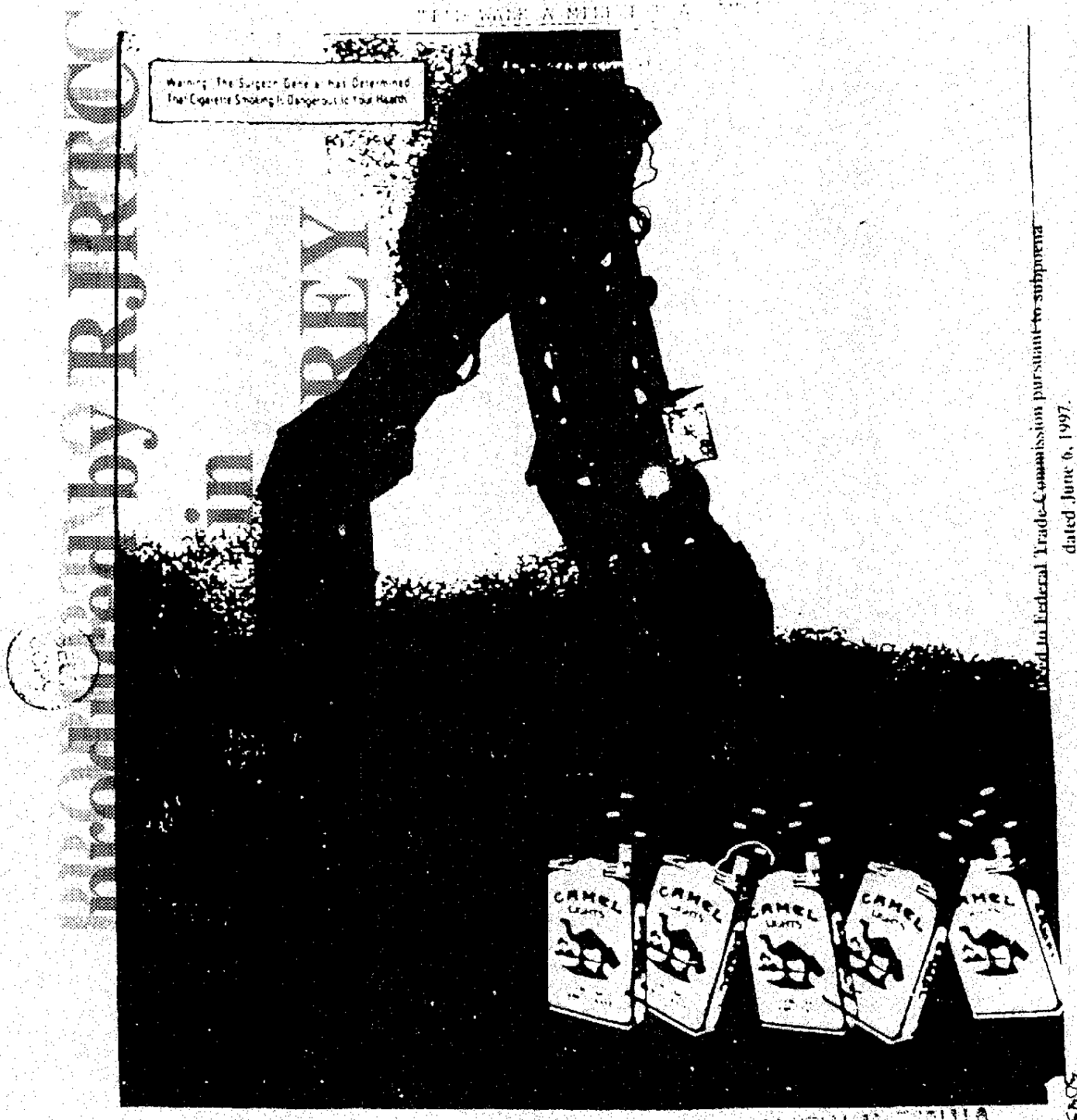
Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

521189 2889

RM0005751

BEST IMAGE

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
Support provided by the UCSF Industry Documents Library. http://www.industrydocuments.ucsf.edu/docs/phjl0001



Produced by R.J.R.P.C. in response to FTC Document Request dated June 6, 1997.

52189 2890

50458 5757

RM0005752

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DEPOSITION EXHIBIT

NOT RECEIVED

DEPONENT: Lynn Bernstein

CASE NAME: Federal Trade Commission

EXHIBIT NO. 13

produced by RJRTC
in HUMPHREY

52189 2891

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EXHIBIT NO. 14
Wit: L. Beasley
Date: 6/15/98
Rptr:

R.J.Reynolds Tobacco International, Inc.
Winston-Salem, N.C. 27102

RJR

March 11, 1985

PROPERTY OF RJRTC
PRODUCED BY RJRTC IN HUMPHREY

TO: Mr. J. T. Winebrenner
RJRT/Brand Management

SUBJECT: Funny French Camel

Attached please find a copy of the information on the use of the Funny French Camel in France provided by our office in Paris.

James S. Carpenter

JSC:pnd
Attachment

cc: Mr. R. T. Caulfield (w/attach)
RJRT/Brand Management

Mr. S. P. Brown (w/attach)
McCann Erickson

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

52189 2892
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CX-905

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in

HUMPHREY

FRANCE

RJRTF

CAMEL FILTERS.

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PROPERTY OF RJRTC
Produced by RJRTC

FRANCE

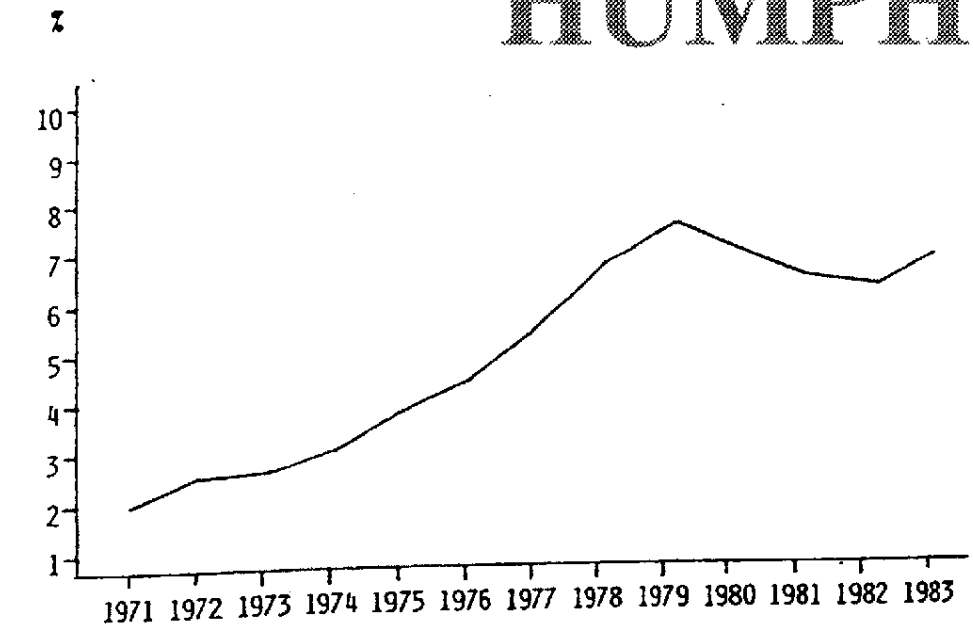
CAMEL FILTERS

IMPORTED CATEGORY SHARE DEVELOPMENT

in

CAMEL FILTERS

HUMPHREY



1974-1979 : RAPID GROWTH
1980-1981 : SHARE DECLINE
1982 : STABILIZATION
1983 : RENEWED GROWTH

SOM	0.1	0.2	0.2	0.3	0.3	0.5	0.7	1.1	1.6	1.8	1.9	2.1	2.5

( )

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

RH0008828

PROPERTY OF R.J.REYNOLDS TOBACCO COMPANY
HUMPHREY

FRANCE	CAMEL FILTERS

LAUNCH PERIOD TO 1976

- APPOINTMENT OF HDA ADVERTISING AGENCY AND IMPLEMENTATION OF NEW CAMPAIGN FROM 1973.

- UNIQUE 'AVANT-GARDE' BRAND POSITIONING AS 'THE SYMBOL OF THE ALTERNATIVE, UNCONVENTIONAL, ANTI-ESTABLISHMENT YOUTH MOVEMENT EMERGING FROM THE 1968 SOCIAL UPHEAVALS.

- HIGHLY CREATIVE AND IMPACTFUL ADVERTISING.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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produced by RJRTC

FRANCE

CAMEL FILTERS

BRAND DEVELOPMENT in HUMPHREY

	1973	1974	1975	1976
VOLUME GROWTH RATES % P.A.				
IMPORTED	10	15	11	16
CAMEL FILTERS	15	39	34	39
MARLBORO	NA	29	18	45
SOC IMPORTED (%)				
CAMEL FILTERS	2.6	.3.1	3.8	4.5
MARLBORO	6.9	7.8	8.3	10.4

SOURCE : SEITA SALES

( )

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
www.industrydocuments.ucsf.edu/docs/phjl0001

PROPERTY OF RJRTC

FRANCE

produced by

CAMEL FILTERS

in

1976 LEGISLATION : KEY POINTS

HUMPHREY

TOBACCO PRODUCTS MEDIA	PROHIBITED - T.V./RADIO/OOH/CINEMA/ SPORTS STADIA - YOUTH PUBLICATIONS	PERMITTED - PRINT : ANNUAL SPACE QUOTA FROZEN AT AVG. 74/75 LEVEL AND NEGOTIATED ON COMPANY SOM BASIS.
COPY CONTENT	- RESTRICTED TO.....	TEXT : BRAND NAME/PRODUCT COMPOSITION/ NAME + ADDRESS MANUFACTURER + DISTRIBUTOR
	.....	VISUAL : GRAPHIC + PHOTOGRAPHIC REPRODUCTION OF PRODUCT/PACKAGING/BRAND EMBLEM
PROMOTION	- SAMPLING - SPORTS SPONSORSHIP (EXCEPT SOME MOTORIZED EVENTS)	- TOBACCONIST IN-STORE POP - SPONSORSHIP OF NON-SPORTS EVENTS WHICH ADDRESS ADULTS ONLY
OTHER PRODUCTS	- BRANDING OF NON-SMOKING RELATED PRODUCTS UNLESS EXISTING PRIOR TO 4//6 - INDIRECT ADVERTISING FOR TOBACCO	- BRANDING OF SMOKING-RELATED PRODUCTS (AND OTHERS IF BRANDED PRIOR TO 4/76 - LAW DOES NOT COVER BRANDED SERVICES

( )

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
http://www.industrydocuments.ucsf.edu/docs/phjl0001
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PRODUCED BY R.J.R.R.I.C
PROPERTY OF R.J.R.R.I.C

F R A N C E	CAMEL FILTERS

1977 - 1979 : A CREATIVE SOLUTION

in HUMPHREY

- IN RESPONSE TO THE 1976 LEGISLATION, THE 'FUNNY CAMEL' GRAPHIC WAS REGISTERED AS THE BRAND'S TRADEMARK EMBLEM, ENABLING ADVERTISING CONTINUITY VIA AGGRESSIVE SUPPORT FOR BOTH CIGARETTE AND LIGHTER CAMPAIGNS.

- CAMEL'S CREATIVE EFFORT CONTRASTED SHARPLY TO THE BLANDNESS OF COMPETITIVE ADVERTISING AND CONTINUED TO REINFORCE THE BRAND USER IMAGERY.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

50676 8842

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Support provided by the Industry Documents Library: www.industrydocuments.ucsf.edu/docs/phjl0001

PROPERTY OF RJRTC

FRANCE

CAMEL FILTERS

BRAND DEVELOPMENT in

HUMPHREY

	1973	1974	1975	1976	1977	1978	1979
VOLUME GROWTH RATES % P.A.							
IMPORTED	10	15	11	16	30	20	34
CAMEL FILTERS	15	39	34	39	57	47	50
MARLBORO	NA	29	18	45	72	46	62
SOC IMPORTED (%)							
CAMEL FILTERS	2.6	3.1	3.8	4.5	5.5	6.7	7.5
MARLBORO	6.9	7.8	8.3	10.4	13.8	16.9	20.3

SOURCE : SEITA SALES

( )

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

RJR000883

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
http://www.industrydocuments.ucsf.edu/docs/phjl0001

PROPERTY OF R.J. REYNOLDS TOBACCO COMPANY
in HUMPHREY

FRANCE	CAMEL FILTERS

1980 - 1981 : THE IMAGE PROBLEM

- MAJOR INTERNATIONAL SOCIAL AND ECONOMIC EVENTS HAD LEAD TO CHANGES IN NEEDS, WANTS, ASPIRATIONS AND VALUES OF YOUNG ADULTS IN THE LATE 70s.

- WHILST MARLBORO HAD DEVELOPED A BROAD AND WIDELY-ACCEPTABLE IMAGE, U + A RESEARCH CAMEL SHOWED TO HAVE BECOME NARROW AND MARGINAL IN ITS APPEAL TO PRIME PROSPECTS.

- FROM AUTUMN 1979, CAMEL FILTERS STARTED LOSING IMPORTED CATEGORY SHARE.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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http://legacy.library.ucsf.edu/tid/eor07a00/pdf
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PROPERTY OF PHILIP MORRIS INC
HUMPHREY

F R A N C E	CAMEL FILTERS

1981 - 1982 REPOSITIONING I

. BASED ON PRETESTING, INTERNATIONAL COPY STRATEGY WAS ADOPTED FROM SEPTEMBER 1980.

. CAMEL RE-ESTABLISHED ITS VANGUARD POSITION WITH RESPECT TO EXPLOITATION OF LOOPHOLES IN THE 1976 LEGISLATION, AND PIONEERED A NEW APPROACH IN THE USE OF IMAGE TRANSFER TOOLS IN FRANCE.

. FROM MAY 1981, THE BRAND COMMUNICATION STRATEGY COMPRISED :

- CAMEL EXPEDITIONS (MAIN CARRIER)
- CAMEL FILTERS
- CAMEL LIGHTERS

. WHILST IMPLEMENTATION OF NEW ADVERTISING HALTED S.O.C. LOSSES AND TRACKING RESEARCH CONFIRMED POSITIVE IMAGE SHIFTS, THREE FACTORS WERE RETARDING FURTHER GROWTH :

- RESIDUAL STRENGTH OF FORMER CAMEL IMAGE DERIVING FROM THE SUCCESS OF 1973-1979 POSITIONING.
- DEPENDENCE ON THE SYNERGY OF A HIGHLY COMPLEX COPY CONSTRUCTION.
- SIGNIFICANT INCREASE OVER 1981/1982 IN COMPETITIVE MARKETING AGGRESSIVENESS, LEADING TO DILUTION OF CAMEL COMMUNICATION.

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Produced by RJRTC

FRANCE

CAMEL FILTERS

in

BRAND DEVELOPMENT

HUMPHREY

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
VOLUME GROWTH RATES % P.A.										
IMPORTED	10	15	11	16	30	20	34	27	12	12
CAMEL FILTERS	15	39	34	39	57	47	50	15	6	9
MARLBORO	NA	29	18	45	72	46	62	56	29	19
SOC IMPORTED (%)										
CAMEL FILTERS	2.6	3.1	3.8	4.5	5.5	6.7	7.5	6.8	6.4	6.3
MARLBORO	6.9	7.8	8.3	10.4	13.8	16.9	20.3	25.1	28.8	30.6

SOURCE : SEITA SALES

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Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
www.industrydocuments.ucsf.edu/docs/phjl0001
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PROPERTY OF R.J.R.R.T.C.

in HUMPHREY

FRANCE	CAMEL FILTERS

1983 - 1984 : REPOSITIONING II
CAMPAIGN COPY

OBJECTIVE

. SIGNIFICANTLY ACCELERATE THE REPOSITIONING OF CAMEL FILTERS BY ADOPTING A CLEARER AND MORE COMPETITIVE APPROACH TO COMMUNICATION OF THE INTERNATIONAL COPY STRATEGY.

LEGAL STRATEGY

. ACCEPT CALCULATED INCREASE IN LEGAL RISK LEVEL GIVEN...

- CURRENT ABSENCE OF JURISPRUDENCE.
- COMPETITIVE PROVOCATION AND SUBSEQUENT RISK OF STRICTER APPLICATION OF 1976 LAW AND/OR FURTHER LEGISLATION.
- PROBABLE TWO YEARS LEAD-TIME FROM INITIAL PROSECUTION TO EFFECTIVE (APPEAL COURT) CONDEMNATION.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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Stanford Libraries http://www.industrydocuments.ucsf.edu/docs/phjl0001

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IN LITIGATION

FRANCE	CAMEL FILTERS

1983 - 1984 : REPOSITIONING II
CAMPAIGN COPY

COMMUNICATION STRATEGIES

. SWITCH BULK OF MEDIA INVESTMENT (2/3) TO NEW CAMEL LIGHTERS COPY UTILIZING INTERNATIONAL BOB BECK CAMPAIGN :
- RICH IMAGERY COMMUNICATION
- REPLICATION OF 'PACK-SHOT'
- CIGARETTE LIGHTER AS A BRANDED TOBACCO-RELATED ARTICLE IS
  : "PERMITTED" BY 1976 LAW
  : PSYCHOLOGICALLY CLOSE TO SMOKING ACT
  : DISTRIBUTED VIA TOBACCONIST TRADE (SALES FORCE POP POTENTIAL)

. SUPPORT LIGHTERS WITH NEW ENRICHED CAMEL FILTERS COPY :
- BASED ON BUNDLE WRAPPER EMBLEM
- SUPERIOR IMAGERY COMMUNICATION/COPY FRESHNESS
- VISUAL SYNERGY WITH LIGHTERS
- MEDIA QUOTA NEED

. MAINTAIN EXPEDITIONS AT MINIMAL SUPPORT LEVEL AS FIRST FALLBACK ITP :
- "SERVICE", NOT COVERED BY 1976 LAW
- REINFORCEMENT OF "ECONOMIC VIABILITY" DEFENSE

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

http://legacy.library.ucsf.edu/tid/eor07a00/pdf
Source: http://www.industrydocuments.ucsf.edu/docs/phjl0001

PROPERTY OF RJRTC
Produced by RJRTC

F R A N C E	CAMEL FILTERS

1983 - 1984 REPOSITIONING II
SALES PROMOTION STRATEGIES

HUMPHREY

IN 1983 A SERIES OF MODIFICATIONS WERE MADE TO THE CAMEL FILTERS MARKETING MIX, CONCURRENT WITH THE IMPLEMENTATION OF NEW ADVERTISING STRATEGIES.

OBJECTIVES

- SIGNIFICANTLY INCREASE BRAND VISIBILITY/MARKET PRESENCE AND GENERATE CONSUMER INVOLVEMENT WITH THE BRAND...
  - AT POINT-OF-SALE, ESPECIALLY OUTLETS WITH HIGH VOLUME POTENTIAL
  - IN MAJOR GEOGRAPHICAL AREAS OF PRIME PROSPECT CONCENTRATION
  - IN KEY TARGET GROUP LOCATIONS.

- DEVELOP OPPORTUNITIES TO MAXIMIZE BRAND EXPOSURE -IN A WAY COMPATIBLE WITH CAMEL IMAGERY OBJECTIVES- PARTICULARLY IN THE AUDIOVISUAL MEDIA WHICH ARE INACCESSIBLE FOR TOBACCO ADVERTISING AND NOT CURRENTLY FEASIBLE FOR BRANDED IMAGE TRANSFER TOOLS.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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PROPERTY OF R.J.R.R.T.C.
Produced by R.J.R.T.C.
in HUMPHREY

F R A N C E	CAMEL FILTERS

1983 - 1984 REPOSITIONING II
SALES PROMOTION STRATEGIES

PROGRAMS:

. INCREASED INVESTMENT IN DISPLAY/MERCHANDIZING MATERIALS AND FIELD MARKETING/SPECIAL EVENTS ACTIVITIES...
% SPLIT A:P - 1982 = 79 : 21
- 1983 = 59 : 41
- 840P = 55 : 45

. UTILIZATION OF NEW SALES FORCE MATERIALS WHICH ARE...
- IMPACTFUL
- CLEARLY BRANDED
- CAMPAIGN-ORIENTED

. MODIFICATION OF REGIONAL SALES FORCE STRUCTURE TO OBTAIN FOCUSSED EFFORT ON OPINION-LEADING PARIS REGION AND 55 OTHER MAJOR URBAN CONGLOMERATIONS WITH POPULATIONS OF 100 000 +...

% MANPOWER SPLIT	PARIS	: PROVINCES
- 1982	21	: 79
- 1983	35	: 65
- 840P	35	: 65

NOTE REDUCED COVERAGE OF RURAL AREAS AND CENTRAL FRANCE.

. REINFORCEMENT OF LOCAL AND SEASONAL SALES PROGRAMS WHICH EXPLOIT OPPORTUNITIES TO GENERATE ADDITIONAL VOLUME...
- SUMMER/WINTER RESORT DRIVES
- KEY ACCOUNTS
- BORDER SALES

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

50676 8850

52189 2906

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Produced by R.J.R.P.T.C
In HUMPHREY

F R A N C E	CAMEL FILTERS

1983 - 1984 REPOSITIONING II
SALES PROMOTION STRATEGIES

PROGRAMS (CONT.)

. EXPANSION OF CAMEL OFF ROAD DRIVING SCHOOL TOOL AS BASE FOR MOTOCROSS SPONSORSHIP, CURRENTLY COMPLETELY DOMINATED BY CAMEL DESPITE RECENT MARLBORO ATTEMPTS TO ENTER.

. MOTOCROSS CINEMA FILM DOCUMENTARIES.

. CONTINUATION OF DISCOTHEQUE SAMPLING PROGRAM.

. PARIS G.D.M. CAMPAIGN FOR CAMEL LIGHTERS.

. ADJUSTMENT TO MARKETING DEPARTMENT ORGANIZATION TO ENSURE EFFICIENT MANAGEMENT OF NEW FIELD MARKETING ACTIVITIES.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

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FRANCE

BUSINESS EVOLUTION

CLEAR TURN AROUND OF CAMEL FILTERS

	1974	1976	1978	1980	1981	1982	1983	1984 JAN	1984 FEB
VOLUME GROWTH RATES % P.A.									
IMPORTED	15	16	20	27	12	12	12	10	25
CAMEL FILTERS	39	39	47	15	6	9	22	24	45
MARLBORO	29	45	46	56	29	19	21	19	36
SOM (%)									
CAMEL FILTERS	0.3	0.5	1.1	1.8	1.9	2.1	2.5	2.7	2.9
MARLBORO	0.7	1.1	2.8	6.7	8.7	10.2	12.1	13.3	13.2
SOS IMPORTED (%)									
CAMEL FILTERS	3.1	4.5	6.7	6.8	6.4	6.3	6.9	7.1	7.5
MARLBORO	7.8	10.4	16.9	25.1	28.8	30.6	33.0	34.9	34.0

SOURCE : SEITA SALES

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CAMEL FILTERS (S + B) SHARE OF FULL FLAVOR IMPORTED

SOS :

HUMPHREY

III

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FRANCE

MARKET OVERVIEW

RJRTF BUSINESS STATUS

- FRANCE IS RJR'S 2ND LARGEST E.E.C. MARKET.

- RJR HAS TWO SIGNIFICANT ESTABLISHED BRAND FAMILIES IN FRANCE.

- WINSTON, THOUGH ABOVE-THE-LINE MARKETING INVESTMENTS WERE CUT FROM MID-1981, CONTINUES TO STEADILY INCREASE IN SALES VOLUME THUS HOLDING ITS MARKET SHARE AND SUFFERING ONLY MARGINAL IMPORTED SOC LOSSES.

- SINCE 1983, ALL MARKETING EFFORTS AND RESOURCES HAVE BEEN FOCUSSED ON SUCCESSFULLY COMPLETING THE CAMEL FILTERS REPOSITIONING.

  THIS HAS RESULTED IN...
  - ACCELERATED MARKET SHARE GROWTH
  - TURNAROUND FOLLOWING 1981/1982 IMPORTED CATEGORY SHARE STAGNATION.

  OVER 1983, CAMEL FILTERS WAS THE FASTEST-GROWING BRAND IN THE TOP 10 (TOTAL MARKET) AND HAS ACHIEVED MONTHLY GROWTH RATES HIGHER THAN MARLBORO DURING TWELVE CONSECUTIVE MONTHS (05/83-04/84).

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[redacted]

...Reynolds Tobacco International, Inc.
...1992

RJR

March 5, 1985

EXHIBIT NO. 15
Wit: L Brasley
Date: 6/15/98
Rptr:

TO: Mr. J. T. Winebrenner
RJRT/Brand Management

SUBJECT: "Funny" French Camel Design

This is to advise that we have no problem with TC using the design of the "funny" Camel used in the past in France for T shirts and lighter premiums. We also appreciate your consulting with TI before proceeding.

I have requested our Paris office to provide some background information for you. However, I must caution that this design was used in France during a time when an attempt was being made to "youthen" the brand; the entire advertising and promotional campaign used at the time was geared to this end, with the "funny" Camel playing a key role in the advertising. Indeed the design did help to achieve this end, but at a time when the younger franchise became associated with such activities as the university riots and car burnings on the left bank. When societal values returned to a more normal and status-quo basis, the Camel brand went out with the militaristic and rebellious views of the franchise. And so for this reason, there is implicit a potential danger in using the design, and we want you to be aware of our experience. Additionally, there is a perceived potential downgrading or mockery of the brand through use of this design which makes fun of the symbol which is the brand name.

For the above reasons, while we have no problem with TC using the design for your own purposes, knowing in advance our experience with it, we would like to request that the design does not appear in any advertising or promotion which might bleed into international markets and that it be limited to premium licensing only for distribution in the United States. To put it bluntly, we do not want to see this design internationally.

I will forward the French "write up" on the design as soon as I have it.

James S. Carpenter

JSC:pnd

cc: Mr. P. J. Hoult
Mr. R. T. Caufield
Mr. S. P. Brown - McCann Erickson, New York

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EXHIBIT NO. 16
Wit: Likasley
Date: 6/15/98
Rptr:

CONFIDENTIAL

Marketing Research Report

May 22, 1985

TO: Mr. Rick T. Caufield

FROM: Susan C. Nassau

CAMEL YOUNGER ADULT FOCUS GROUPS
(MDD #85-11,12)

Copies To:

Mr. Larry W. Hall, Jr.
Mr. Alan R. Cox
Ms. Marie Greener (McCann-Erickson)
Mr. Barry Schwerd (McCann-Erickson)

CX-81

PUBLISHED BY THE MARKETING DEVELOPMENT DEPARTMENT
R.J. REYNOLDS TOBACCO COMPANY, WINSTON-SALEM, N.C. 27102

RM0005759

IMAGE

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INDUSTRY

MANAGEMENT SUMMARY
CAMEL YOUNGER ADULT FOCUS GROUPS

PURPOSE:

This report summarizes MDD's observations and outgoing hypotheses from CAMEL Younger Adult Focus Groups in Kansas City (an average "Middle American" market) and San Francisco (a highly developed, West Coast market).

BACKGROUND:

CAMEL is currently pursuing an alternative creative strategy which would appeal to younger adult smokers in a way that is both relevant and potentially consistent with CAMEL.

RESEARCH OBJECTIVES:

The purpose of the groups was to explore topics of believed relevance among 18-20 year old smokers and their potential fit with CAMEL. Visual stimuli in the form of CAMEL ads was provided, focusing on three selected areas:

- Individualism/Independence
- Social Excitement/Sexual Relationships
- CAMEL's Heritage/Pack Graphics

SUMMARY OF OUTGOING HYPOTHESES AND IMPLICATIONS:

- "Independence" is a potential area of relevance but must not suggest lack of goals, financial means, or friends. Independence for 18-20 year olds is moving out of the house and making enough money to have a car and party.

- Individualism is really the essence of CAMEL in that people who smoke it are making a statement of being "themselves", not a Marlboro follower. But that individualistic image has some very rough edges, and at the limit is even anti-social. Ways will need to be identified, therefore, to exploit CAMEL's somewhat "counter culture" image in a positive way.

- Social interaction is very relevant in that it represents the end goal at this time in younger adult lives. Anything that suggests a loner or friendless guy, therefore, is undesirable.

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HUMIDOR

- This generation takes sexual relationships very casually (although respectfully) and finds the whole idea very inconsistent with CAMEL's older, more conservative image. It is, therefore, an area that is not only relevant but could give CAMEL the drastic change in image it needs. Any depiction or suggestion of couples, however, cannot be too literal (like an ad for a diamond) nor in any way demeaning.

- CAMEL does not really have a "heritage" among younger adults as such. The fact that it has been around a long time and never changed its pack makes it genuine (not faddish) among those persons who are individualistic enough to use it. But nostalgia for 18-20 year olds tends to revolve around things they themselves can remember.

- The CAMEL package is central to the brand's image but it has negatives as well as positive connotations. Its positive association with mellowness should be exploited in a way that is relevant to 18-20 year olds today, but the foreign setting as such should be downplayed--as it is associated with being somewhere strange where you do not belong. Traveling to exotic places may be in younger adults' future aspirations, but is not within their current means or fantasies. They are only interested in the time being in dealing with "here and now".

Services

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CAMEL YOUNGER ADULT FOCUS GROUPS
(MDD #85-13210)

This summarizes MDD's observations and outgoing hypotheses from the CAMEL Younger Adult Focus Groups, conducted May 13-16 in Kansas City and San Francisco. The purpose of the groups was to provide McCann-Erickson with creative direction for CAMEL Younger adult advertising. It was accomplished by exploring topics of believed relevance and their potential fit with CAMEL.

Kansas City was selected for its representation as an average, middle American market. San Francisco was selected for its extremely high CAMEL development and West Coast mindset. As would be expected, perceptions of CAMEL were quite different in the two markets, but reactions to the ad concepts and potential areas of relevancy were similar and the takeaway for creative direction, therefore, was consistent.

BACKGROUND AND METHODOLOGY:

CAMEL is currently pursuing an alternative creative strategy which will appeal to younger adult smokers and thus position CAMEL competitively among target 18-24 year old males. These groups were restricted to the lower end of that age range--18-20 year olds. Three types of discussion formats were used: standard focus groups, mini groups of three friends, and personal one-on-one interviews. (For additional detail on screening requirements and group composition, see Attachment 1.)

McCann supplied a variety of visual stimuli in the form of CAMEL ads, some of which were tight drawings and others of which used photographs. The ads were used to stimulate conversations around three targeted areas of potential relevance:

- Individualism/Independence
- Social Excitement/Sexual Relationships
- CAMEL's Heritage/Pack Graphics

Prior to exposure of the ads, respondents were probed at length as to their lifestyles and aspirations, reasons for smoking their usual brand (almost exclusively Marlboro), and attitudes toward CAMEL and its user. The second half of the discussion was then based on reactions to the various ad concepts shown. Those ads are listed and described in Attachment 2.

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DETAILED OBSERVATIONS:

Lifestyle/Aspirations

These younger adults were either preparing to graduate from high school or had been out a year or so, and none had any intention of going to college. Those in Kansas City clearly felt under pressure to decide what to do with their lives, and not having four years of college during which to postpone the decision, they had found other various excuses for "buying time". Several, for example, planned to "go back to" some place where they had lived before--and then decide. Some were going or had gone to a technical school, but this was not necessarily their end goal. One nineteen year old mechanic, for example, said:

"I'm a mechanic because I do it well. But that's not my end goal. I don't want to be a mechanic. I'm still searching."

Another said:

"I have a summer job in a bank. Then I might travel around a little, and see..."

Even those going into the service were just looking for a way to get off the hook for awhile.

"I figured I'd go in the service for a few years. And then when I get out, I'll buy a nice car."

The respondents in San Francisco were also obviously biding for time, but they felt less compelled to come up with firm intentions for the short-term. Their goals were more subtle and they were more reluctant to talk about them, brushing it off as, "I'll figure it out one day".

In spite of any claimed searching, however, these younger adults were most preoccupied at the present with "partying" and friends. The future was something they would deal with later, when necessary, but for the time being, having a good time was the only real goal. Being independent, for these younger adults, therefore, meant making enough money to move out (of parents' homes), have a car, and party. In San Francisco, independence additionally took on a sixties flavor, with outright rejection of traditional values and the need to emulate or do better than one's parents. Individualism was not really an aspiration, however, since belonging within a circle of good friends was of utmost importance. Therefore, any positive expression of individualism for this age group would need to be within the context of a group of friends who are "themselves", not a single social outlier.

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Things were slightly different for many of the young women in that their current goal of having a good time would lead them to their ultimate goal: finding the right man to take care of them. They were not as put upon as the males, therefore, to present their current status as a temporary situation, or to speak in terms of searching for what they "really wanted to do in life".

Why Marlboro?

For the dyed in the wool Marlboro smokers (which included almost all respondents in Kansas City), there had never been any question as to what brand they would smoke.

"Marlboro makes cigarettes, period."

"They advertise more than other cigarettes do."

"It's a habit to smoke Marlboro."

"That's what everybody smokes. You gotta be cool."

"When I tried them, I just said, 'This must be the one.'"

"It's a good American cigarette."

"It's the taste. It's not too strong. Not too weak."

In San Francisco, however, they liked the product but found the image of the Marlboro man to be somewhat hokey. Unsolicited, one respondent laughed,

"They must love it in Kansas."

But their purchase trial was driven by the fact that all their friends smoked Marlboro, and not only was it a question of being part of the peer group, but it simplified the bumming and sharing of cigarettes.

Why Not CAMEL?

In San Francisco, respondents were prone to group CAMEL with Marlboro as a very similar type of cigarette. They knew plenty of people who smoked CAMEL, most had tried it, and several used it regularly on an occasional basis. But they all perceived a harsher, though not necessarily stronger taste, and its potential switchers seemed to imply they liked CAMEL but just could not smoke it on an extended basis.

In Kansas City, it was a very different story. In middle America (a.k.a. Marlboro Country), 18-20 year olds were going to smoke what their friends smoke. Many knew no one their age who smoked CAMEL, and when they did, it was always someone "different" in a pejorative way.

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CAMEL's pack graphics did hold a certain mystique for the San Francisco respondents, who considered it mellow, low key, and exotic. But that same package was largely responsible for the negative product and user perceptions the brand had among the more conforming Kansas City respondents.

The CAMEL product had overwhelming perceptions of being a strong, harsh, "rot gut" cigarette--even among those who knew it came in filtered and light styles. These irrational strength perceptions seemed to be reinforced by the foreignness of the pack ("foreign cigarettes are strong") and the association with Turkish tobacco (sounds strong, like Turkish coffee).

Not only did the strength perception conjure images of "Harley riders", "greasers", and "someone who dropped out of school a year early"; but the un-American look of the package and name was a turnoff to Kansas Cityites.

Kansas City respondents' negative perceptions about the CAMEL product and its user were directly transferred to Bob Beck. They saw him as "out there", but not really having any purpose. He was in some foreign place they had neither the means nor the desire to be in, and obviously he did not share their need for social excitement.

"The CAMEL guy would have to go a long way to see his friends. He's not a partier or he wouldn't be there."

San Francisco respondents, however, found him mellow and laid back, which was positive, but not particularly "adventurous", and they too noted,

"What he's doing, you don't do by yourself."

"He's all by himself in the middle of nowhere."

"One guy gallivanting around the jungle...What does he do for a living?"

Even though they were somewhat intrigued by the idea of foreign travel and trying something new and exotic, it was not something they had the means to do now ("maybe someday"). And in both cities, the direct connection between the CAMEL pack and the Middle East was negative, as it is currently perceived as a dangerous and overly traditional place where no one would want to go.

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The Marlboro man, on the other hand, was someone they all could identify with. He's "made in the U.S.A." and he has a purpose. He's working for a day's pay, after which--like themselves--he will relax with some friends and have a few beers. Cowboys traditionally have a live for today mentality that is very appealing to younger adults, and they can, therefore, very easily put themselves in his place. But admittedly, the Marlboro man was definitely "more uptight" by San Francisco terms.

While Kansas City respondents admitted that their negative perceptions of CAMEL might have been erroneously based on people they had seen smoking it, they were not willing to even consider buying it. A couple of men who occasionally buy CAMEL BIGIP's testified that it is very similar to Marlboro--only "raspier"--but that they did not like to be seen smoking it.

San Francisco respondents, on the other hand, knew people who smoked CAMEL and were more likely to consider it an acceptable alternative brand. In their eyes, the CAMEL smoker tended to be cool, laid back, and not needing to "make a big deal about smoking". But even on the West Coast, CAMEL has a counter culture image that goes as far as suggesting someone who has run up against the law. One former jailbird in the groups, for example, said that when he went to prison he stopped smoking CAMEL because that would have communicated to the other inmates that he was "doing hard time".

REACTIONS TO AD CONCEPTS:

Four different ads addressing some area of individualism or independence were shown. "Hitchiker" and "On The Road" expressed the idea of taking off and going wherever you feel like. "Miami Vice" presented a policeman or detective as a potential American hero. And "Cowboys" depicted the CAMEL smoker as the individual before a lineup of look alike (Marlboro) cowboys.

Hitchiker reinforced the Kansas City respondents' negative perceptions of the CAMEL user as a burnout or loser. He was obviously unemployed and aimless, something none of these younger adult respondents wanted to be.

> "He looks lonely and has nothing."
>
> "To be independent he would have to be in a car. Not walking."
>
> "He's not going to get anywhere walking."
>
> "Would you want to pick him up?"

Although less negative of a concept among San Franciscans, they too saw him as a drifter with no real plans.

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INDUSTRY

On The Road was less negative in that the man had a car, and it did appeal to the natural desire to pick up and go. But still it was not reality for the goal-oriented Kansas City residents, and as one respondent put it, "It's not really even a good fantasy." It could be too that the image of someone "leaving something behind, taking a last look" was rejected as something they did not yet want to deal with.

As for the San Francisco respondents, they found the idea of kicking off very relatable (most people left or ended up in San Francisco by bumming around), but this particular execution did not capture for them the "free spirit" aspect it was intended to.

Miami Vice

The lone policeman shown relaxing with a cigarette was successful in that he represented an admirable person with a definite purpose who they could indeed imagine smoking CAMEL.

"He's a Clint Eastwood type."

"He's tough."

"He takes control, but is a good hearted guy."

"He looks like a Marlboro man."

"He looks like the type of guy who would smoke CAMEL."

"He's harsh like the cigarette."

"He looks like he's struggling. He's not rich like the Camel man."

He seems, therefore, to be a viable concept for further exploration, but with some hesitation: He does not speak directly to 18-20 year olds here and now and he reinforces the brand's perceptions as a strong, harsh cigarette. Also, in San Francisco he was often suspected of being a narcotics agent (or "Narc").

Cowboys was rapidly dismissed as "a putdown on Marlboro ads" which "says nothing positive about CAMEL". And respondents also did not particularly appreciate the implication that Marlboro smokers are boys and CAMEL smokers are men.

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Six ad concepts were shown relating to social or peer relationships. "Pool" depicted male comraderie. "Car Windows" was a nostalgic (fifties) view on two guys acting crazy and ogling girls. And the rest (Blouse, Mattress, Jeans and Glasses, Couple) all suggested sexual relationships.

Pool was a rendered version of three young men playing pool and sharing a smoke. It bore the headline, "share the experience".

The way the men were drawn suggested GQ types, preppies, or even gays for some of the men. This GQ look was especially negative in San Francisco. But the females were more positive, seeing them as "clean cut guys"--"the type who date nice girls, get married, and have families". But bottom line, the drawings looked like college educated professionals ("with roots planted") and not at all the type person who would smoke CAMEL.

As for the idea of male comraderie, something was lacking in this particular ad. First of all, the third guy would have more likely been a female (although she never would have accepted a CAMEL). Secondly, the picture would have been more realistic with a pitcher of beer in it ("We always drink beer while we play pool"), and "no one smiles when they're given a cigarette". But most importantly, the headline was overkill.

> "An experience is something like jumping out of a plane, not playing pool."

On the positive side, however, the idea of sharing CAMEL with a friend suggested a good cigarette.

> "Two people are smoking them, they must not be as bad as I thought."
>
> "They must be pretty good if he's sharing them with friends."
>
> "It makes the cigarette look better, like you might smoke it."

These last three comments were from Kansas City women, who tended to be the most resistant to the idea of ever smoking a CAMEL. But the idea of sharing a cigarette with friends, or smoking the same brand as someone you like, is a very relevant thing among 18-20 year olds.

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ATTACHMENT 2

Area of Relevance	Ad Concept
Individualism/ Independence	• Hitchiker - Bruce Springsteen's backside in T-shirt and jeans with CAMEL pack in back pocket. • On The Road - Convertible stopped on side of road. Guy smoking. Female stranger walking toward car. • Miami Vice - An attempt at finding an American hero alternative to the cowboy, a policeman taking a break. • Cowboys - A dig at Marlboro, showing the independent CAMEL minded smoker before a string of look-alike cowboys.
Social Excitement/ Peer Relationships	• Pool - Three male friends playing pool and sharing their CAMELs. • Car Windows - Two young adult males hanging out the windows of a fifties-type car, obviously ogling girls and acting crazy. • Blouse - A girl buttoning her blouse while male friend takes a cigarette break. • Mattress - Edge of bare mattress and box springs on hardwood floor. Crumpled jeans and ashtray with two CAMEL cigarettes (one with lipstick on filter) in foreground. • Jeans and Glasses - A "simplified" version of mattress, showing only crumpled jeans, sunglasses, and a CAMEL pack.
CAMEL Heritage/ Pack Graphics	• T-shirt - Sweaty, muscular arm with CAMEL pack rolled up in T-shirt sleeve. • Casablanca - Man alone in tiled-wall coffee house, with window view on minarets and ethnic crowd.

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